

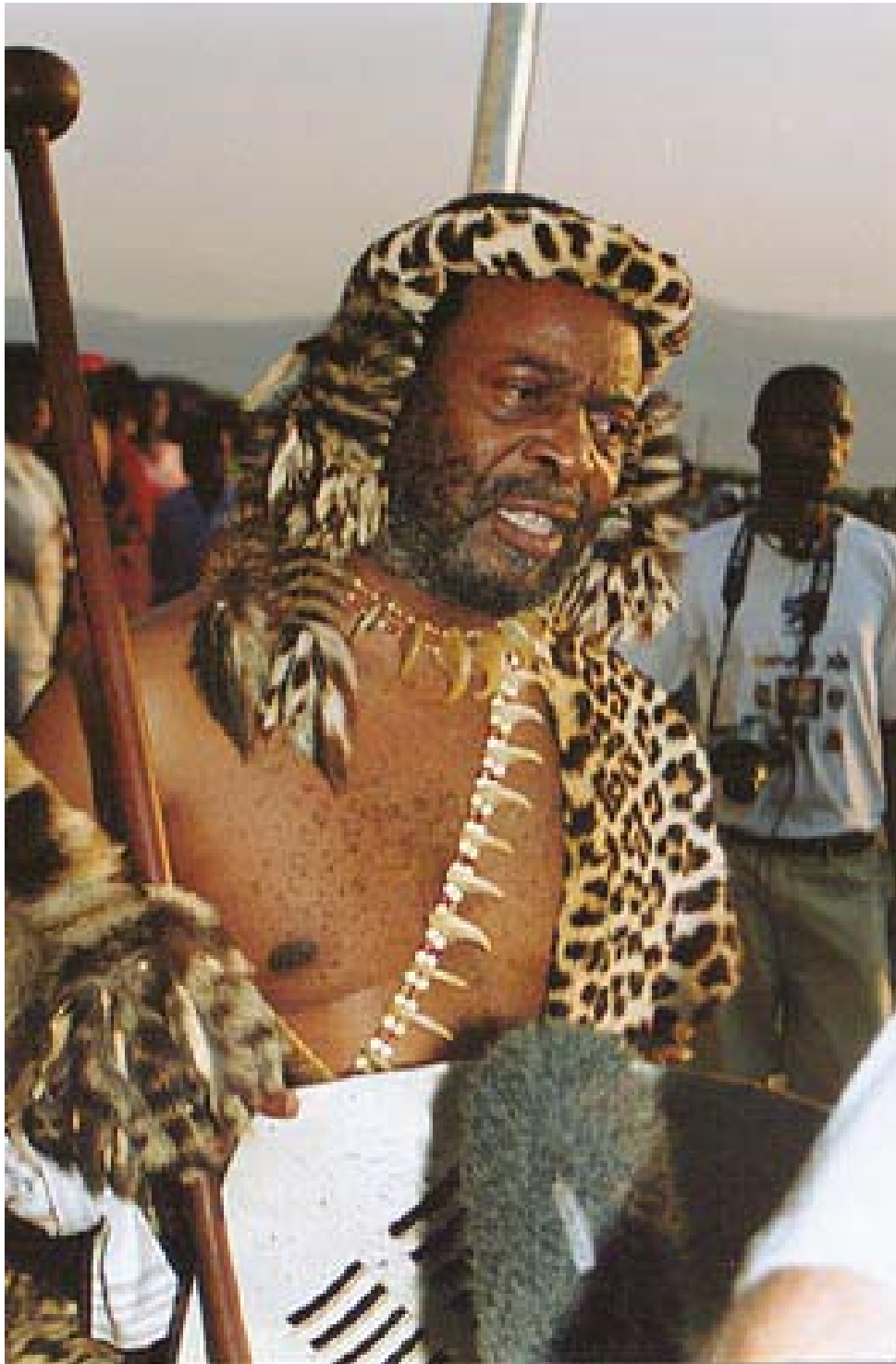
**NONGOMA
MUNICIPALITY**



ANNUAL REPORT 2008/09



Nongoma town (on a normal busy day)



His Majesty the King attending the annual traditional Zulu Reed Dance

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SECTION A

GENERAL INFORMATION

Umkhandlu wakwa-**NONGOMA**- Municipality



ADMINISTRATION INFORMATION

BUSINESS ADDRESS	103 Main Street Nongoma
POSTAL ADDRESS	P O Box 84 Nongoma 3950
BANKERS	First National Bank
AUDITORS	Office of the Auditor General
LAWYERS	Uys and Partners
TELEPHONE	035 831 7500
FAX	035 831 7500
WEBSITE	www.nongoma.co.za



Nguni Cattle



Ladies in a traditional garb doing their own thing Zulu style



The Honourable Mayor of Nongoma – Councillor S C Mataba

INTRODUCTION AND OVERVIEW

MAYOR'S FOREWORD

I am privileged to have the opportunity as Mayor of the Nongoma Local Municipality to table the Annual Report for the 2008/2009 financial year. Once again the municipality has been presented with a challenge of intensifying the visible service delivery programme.

The 2008/2009 financial year was a very active and eventful year. It was a period which saw a lot of activity and the town as well as the whole area was a hive of strong political activity. Unfortunately it was in the limelight for negative reasons although all the activities that happened here assisted the town's business community economically. With the large contingent of police presence as well as political parties we had quite an economic boost during the run up to the 2009 elections.

We are proud to be the KINGDOM CITY. Our area is where Royalty beckons. Greetings to His Majesty the King and the Royal Family. "BAYEDE!!!"

This report draws attention to challenges to substantial challenges that we experienced during the year under review and how we addressed them in our continuous endeavour to lay the foundations for institutional viability and overall improvement of the quality of life of Nongoma residents.

We had some successes in our operations during this financial year. To mention a few we spent over R10m on Capital projects like halls, crèches, soccer fields and rural roads. We also have a learners' license testing facility which generates income for us as well being an essential service for our community. Some of the positive things we did were to decrease our consumer debts from R14.9m to R6.3M by improving our revenue collection. It is still not what it should be but we are positively moving in the right direction.

I would be naïve if I did not take the opportunity to admit that all is not well in our municipality and that for things to change we need to change the way we do our business. We need to ensure that Corporate Governance becomes live in our administration. We have to strengthen our ZERO TOLERANCE towards fraud and corruption. We have to ensure that discipline becomes the order of the day.

Amongst some key challenges we face as leadership of this Municipality is to ensure that for the employees:

- Our senior managers have to perform up to the level where they go the extra mile.
- The senior managers are available and in office more often than not to be able to give guidance to junior employees and to improve the culture of working and accountability.
- That compliance with statutory laws like the MFMA, MSA, DORA etc. does become part of the operation of the municipality.
- The staff does have an incentive scheme whereby they can be able to shine and be rewarded.
- That the staff is properly supervised and discipline is maintained consistently and effectively.
- We need to change the consistent behaviour and practices in our official duty which have resulted in us getting another **DISCLAIMER OF OPINION**. We need to make our community proud of our existence by getting a clean audit. This can be achieved, but we only need to have a change of heart and be prepared to **DO THE RIGHT THINGS AT THE RIGHT TIME AND DO IT RIGHT THE FIRST TIME**.
- We have to build a strong **NONGOMA MUNICIPALITY TURNAROUND STRATEGY** which will take Nongoma Municipality to unprecedented heights.

For our community:

- We need to ensure that we continue with the Licensing of drivers and testing of vehicles to enhance their lives and save them the kilometres they travel to outside areas.
- We have to normalise the processes involved in the administration of MIG PROJECTS and FUNDS. This will ensure that we utilise all the MIG funds that are available to us for Local Economic Development and job creation.
- We have to improve on the public participation including having our own publication as well as using MEDIA more.
- We need to accelerate service delivery and engage especially Human Settlements Department about the housing projects and Zululand District Municipality for water and sanitation. Other departments include Health, Education, SAPS, DAE, DME and others whereby we need to build stronger relationships.

Lastly, a special word of gratitude goes to Nongoma residents who continuously cooperate and perform their civil duties in general, and in particular those who always meet their responsibility for paying for municipal services. It is through this revenue generated through their payments that we are able to report the progress we have been able to make as a municipality in each and every year. Let us continue to work together in a social contract to push the frontiers of poverty further away from the poor, build sustainable livelihood and improve the quality of life for all.

For our councillors

:

- We need to strengthen the capacity building initiatives thus ensuring that continuously councillors do know what to do and what is expected of them.
- We strengthen their capacity in playing the oversight role which is very crucial for our democracy and ensure that all councillors understand collective accountability. For that we need to engage with Cooperative Governance and Traditional Affairs (Cogta).

As this report is presented I hope that in it you see where we are. But it should not end there. In it you should also see where we want to be. By facing the challenges I have touched on I am sure **TOGETHER WE WILL MAKE IT HAPPEN.**

This report presents an honest expression of the municipality's performance during this year as well as challenges that confronted us and the interventions we undertook.

As the political leadership of Nongoma Municipality we will continue to honour the pledge that we made and carry out the mandate given to us by our communities namely, to accelerate service delivery and development, fight poverty and unemployment as well as create a safe and healthy environment for our communities as enshrined in our constitution.

Last but not least I want to plead with the employees of the Municipality including the senior management to ensure that **NONGOMA MUNICIPALITY BECOMES THE EMPLOYER OF CHOICE** and does live up to its vision **"Championing service delivery; working with and among the People"**

I thank you

Councillor Revd. Sithembiso C. Mataba
Mayor of Nongoma Local Municipality

SUBMISSION OF THE ANNUAL REPORT

This Annual Report has been prepared for submission to Nongoma Local Municipality Council in terms of chapter 12, section 127 of the Municipal Finance Management Act (Act 56 of 2003).

S I MABASO

ACCOUNTING OFFICER



Nongoma Municipality Offices

OVERVIEW OF THE MUNICIPALITY

Nongoma, from Ngome 'the mother of songs', was established in 1888 on the boundary between two warring Zulu factions - the uSuthu and Mandlakazi - in the hope that it would engender peace in the area. Needless to say, one of the factions eventually burned it to the ground. Today, it is a busy trading village. Near the town is the Ntendeka Wilderness Area and adjacent to the area is the Ngome State Forest, a series of precipitous cliffs ('Ntendeka') that afford marvellous panoramic views of the countryside.

There are more than 180 tree and shrub species and the whole area is one of peace and tranquility. There are plenty hiking trails and picnic spots too. Nongoma is renowned for its surrounding Royal Palaces, filled with history and culture that have become a major tourist attraction in South Africa. There are also many battlefields where the history of this country can be re-lived, these being the KwaNdunu, eMsebe, eSokosoko and Otshanini. Moreover, in the nearby Nongoma Forest one can visit King Cetshwayo's Ngenetsheni Hideout, while enjoying the natural beauty of the plant and bird life in the forest. Best of all the major attractions is our ever-friendly warm South African weather, which ensures complete enjoyment of all the sights and sounds of Nongoma.

Nongoma Local Municipality is a local municipality in the northeastern part of Zululand in the KwaZulu-Natal and forms 2,184 km² of the total KZN area of 92,417km². It is Zululand's second largest municipality in terms of population and the second largest in terms of area and has three Tribal Authorities, namely Mandlakazi, Usuthu and Matheni. It shares its name with the town of Nongoma, which serves as the seat of the municipality. It is the home of King Goodwill Zwelethini, the hereditary traditional leader of the Zulu nation, and his royal palaces are among the main tourist attractions in the region. The area is made up of 19 wards, with 38 councillors. Located in the east of the Zululand District Municipality the municipality has two secondary corridors, which run from Ulundi to Pongola and from Hlabisa to Vryheid. Nongoma is predominantly a rural municipality.

Demographic information

The total population in 2007 of Nongoma Local Municipality is 244 501 which has grown from the 198 443 in 2001. There are currently 35 293 households in the municipality which is up from the 31 581 households in 2001.

Urban Econ (2009) indicates that, over the past few years, it has become apparent that Nongoma town itself has experienced population outflow. From 1996 to 2007 the average annual population growth, or rather, decrease has been -2.97%. Nongoma as a local municipality has in contrast experienced very stable, positive population growth with an annual average growth rate of 1.31%. It is noted that this percentage is very slightly lower than the district and provincial figures, indicating that the population within this municipal area has grown at a rate considered "normal" for its geographical area. As is apparent, the population growth trend of Nongoma is in line with the district and provincial trends.

Population Growth (2000 – 2007)

A report prepared by the DBSA (2000) depicts the most useful statistics for estimating the future growth rate of Nongoma's population. It takes into account the impact of HIV/AIDS and gives growth rates for 5-year intervals disaggregated by provinces. The KwaZulu-Natal figures have been used as the basis for projecting the population of Nongoma. The table below sets out the growth assumptions from this specific report and applies these to the WSDP population for 2001 for Nongoma as a whole.

Projected Growth Rate for Nongoma (2000 – 2021)

Period	% Annual growth rate (based on DBSA report)	Growth factor	Population at start of period (2001 based on WSDP data)
2001 - 2004	1,44	1,0741	230 672
2005 - 2009	0,96	1,04893	247 765
2010 - 2015	0,58	1.02934	259 888
2011 - 2016	0,08	1,00401	267 513
2016 - 2021			268 586

Sources: DBSA (2000) "Provincial population projections, 1996 – 2021 High HIV/AIDS impact" Sept. 2000

The majority (55.46%) of the individuals within Nongoma Local Municipality are female. This percentage is high compared to the lower provincial figure of 53.36% which possibly indicates that males have moved away to bigger cities in search for job opportunities.

The following table represents the comparative population density of Nongoma Town in relation to other areas:

	Kwa-Zulu- Natal	Zululand	Nongoma	Nongoma Town
Population total	10,467,144	852,349	211,581	2,276
Households total	2,368,049	156,759	3,418	5,485
Population density (People/km ²)	112	57.5	96.7	224.3

Economic Development Opportunities

The existing situation in Nongoma Town suggests that it has significant potential to grow economically and socially. Urban Econ (2009) indicates that the total economy of Nongoma has grown from 1996 to 2001 at an average annual rate of 1.16%. From 2002 to 2007 this growth figure increased slightly to an annual average of 2.53%.

Urban Econ (2009) indicates that there remains a huge potential for this sector to be developed within the Nongoma town centre. The table below provides an indication of the type and number of informal businesses that can be found within Nongoma and it becomes evident that the vast majority of the businesses sell fruit and vegetables. A further 11% sell malt (possibly home-brewed beer/other alcohol), and another 5% are phone dealers.

TABLE 11: Informal Business Audit (Urban Econ, 2008)

Product sold	Number of stores	% of total stores
Mr Phone dealers	6	5.61
Clothes dealers	1	0.93
Shoe polishers	2	1.87
Shoes	2	1.87
Shoe repair	1	0.93
Street food vendor	7	6.54
Bead seller	3	2.80
Cosmetics	5	4.67
Art	2	1.87
School uniform	5	4.67
Blankets and sheets	1	0.93
Live chickens	2	1.87
Muthi trade	1	0.93
Hatters	2	1.87
Dress makers	2	1.87
Radio sellers	1	0.93
Malt	12	11.21
Fruits and vegetables	52	48.60
Total	107	100.00

Source: Urban-Econ Informal Business Audit 2008



Ngome Forest



The Municipal Manager: Mr S I Mabaso

INTRODUCTION AND OVERVIEW

THE MUNICIPAL MANAGER'S REPORT

Introduction and background

The financial year 2008/2009 has been a time of many challenges. Irrespective of challenges that required top priority there are a number of improvements made in the year under review, such as higher points obtained when the municipality's Integrated Development Plan (IDP) was assessed by the provincial IDP assessment team. The loss of other sources of the municipality's income, i.e. revenue generated from selling electricity and water. These sources of income are now the functions of Eskom and Zululand District Municipality respectively. The only source of income that still remains with the municipality, other than property rates, is income generated from refuse removal which is insufficient.

Nongoma Municipality being a deep rural Municipality has a high rate of unemployment. This contributes to the congestion in our town. People from all our nineteen wards bring their agricultural products to sell in town thus exacerbate the congestion problem. About eighty percent of land within the Municipality's boundaries is owned by the Department of Land Affairs, this deprives the municipality its right to sell the land thus generate revenue from payment of rates.

Service Delivery Performance

The inevitable situation (challenges) mentioned above compelled the municipality to seriously devise other means of generating revenue. Efforts that were made to generate revenue culminated in the:

- Establishment of the MOTOR VEHICLE LEARNER'S LICENCE which generates between R50,000 and R65,000 a month.
- Successful application for R103 million for Neighbourhood Development Partnership Grant to the National Treasury. This is an Urban Renewal Town Regeneration project. This project is underway. The contribution of this project will be as follows:
 - Create employment opportunities
 - Attract investors
 - Increase Municipality's rate base
 - Reduce or curb the town congestion
 - Others
- Revision of organizational structure which resulted in the establishment of a Traffic Department and appointment of the H.O.D for this department. It is foreseen that this Department will generate acceptable amount of revenue by means of traffic fines. In the next budget the equipment required by the Traffic Officers to carry out their duties will be procured.
- To ensure effective and efficient functioning of the Department of Finance the Council requested the Provincial Department of Local Government and Traditional affairs to intervene in terms of section 137 of the Municipal Finance Management Act, (Act 56 of 2003).
- Regarding acquisition of land from the Department of Land Affairs the Municipality has appointed Attorneys who are busy dealing with this matter. Secondly, meetings with all relevant stakeholders are held on a regular basis in respect of this matter.
- The management and Council's Executive Committee had a team building workshop which its aim was to ensure that service delivery receives top priority at all times.
- The revision of our organogram to be in line with the IDP is another contributory factor.

Service Delivery Challenges

- Funding constraints continue to have an adverse impact on service delivery. As a result the municipality has a number of assets/equipment that is not functional and need to be replaced. Further it does not have funds to build a testing ground.
- Collection of monies owing to the municipality by consumers is a challenge despite the fact that the municipality has a firm of attorneys that is tasked with the collection of debts.
- Lack of relevant skills especially in the finance department continues to be a challenge.
- As captured in the report of the Auditor General, the audit committee was not functional throughout the year under review.

Vision

"All communities shall have access to sustainable and physical infrastructure and be empowered to decide on their own future.

To this end, we strive to become the leading local municipality in promoting cooperative governance and support an effective system of leadership and partnering, and - through our people - fight poverty, build regional collaboration and make an enduring difference in people's lives through accelerated service delivery"

Mission Statement

"Championing service delivery; working with and among the People"

Core Values

- Professionalism
Pertains to the performance and conduct of staff.
- Service Excellence
Pertains to the level and quality of service expected by the people of Nongoma.
- Integrity
Pertains to the integrity of employee
- Ubuntu
Pertains to the humane spirit in which people are to be treated
- Passion
Pertains to the vigour and dedication of staff to the attainment of the vision and in fulfilling the mission of the municipality.

Primary Legislative Mandate

The primary legislative mandate of the municipality stems from chapter 7, section 151 (2) of the Constitution of the Republic of South Africa, which states that the municipality must strive within its administrative and financial capacity, to meet the objects of local government which are to:

- Prioritize the basic needs of the communities;
- Promote the social and economic development; and
- Participate in national and provincial development programmes.

These constitutional stipulations are also reinforced in section 73(1) of the Local Government: Municipal Systems Act No. 117 of 1998.

The constitution is further supported by the following Acts which were created solely for the furtherance of the municipalities' constitutional mandate:

- The Constitution Act of the Republic of South Africa, Act No. 108 of 1996

Mandates pertaining directly to local governments acts

- The Municipal Systems Act
- The Municipal Structures Act
- The Municipal Financial Management Act No 56 of 2003
- The Division of Revenue Act No 12 of 2009
- Supply Chain Management Policy Framework
- Skills Development Act, 97 of 1998

Quasi-Statutory Mandate

- Employment Equity Act, 55 of 1998
- Labour Relations Act, 66 of 1995
- Unemployment Insurance Act, 30 of 1966
- Occupational Health and Safety Act, 85 of 1993

I have an unwavering confidence in our joint ability as the municipal personnel to execute our mandate, always with the invaluable support and advice of our able council. The reports from the Honourable Mayor and Heads of Departments are included in this Annual Report.

S I MABASO

MUNICIPAL MANAGER

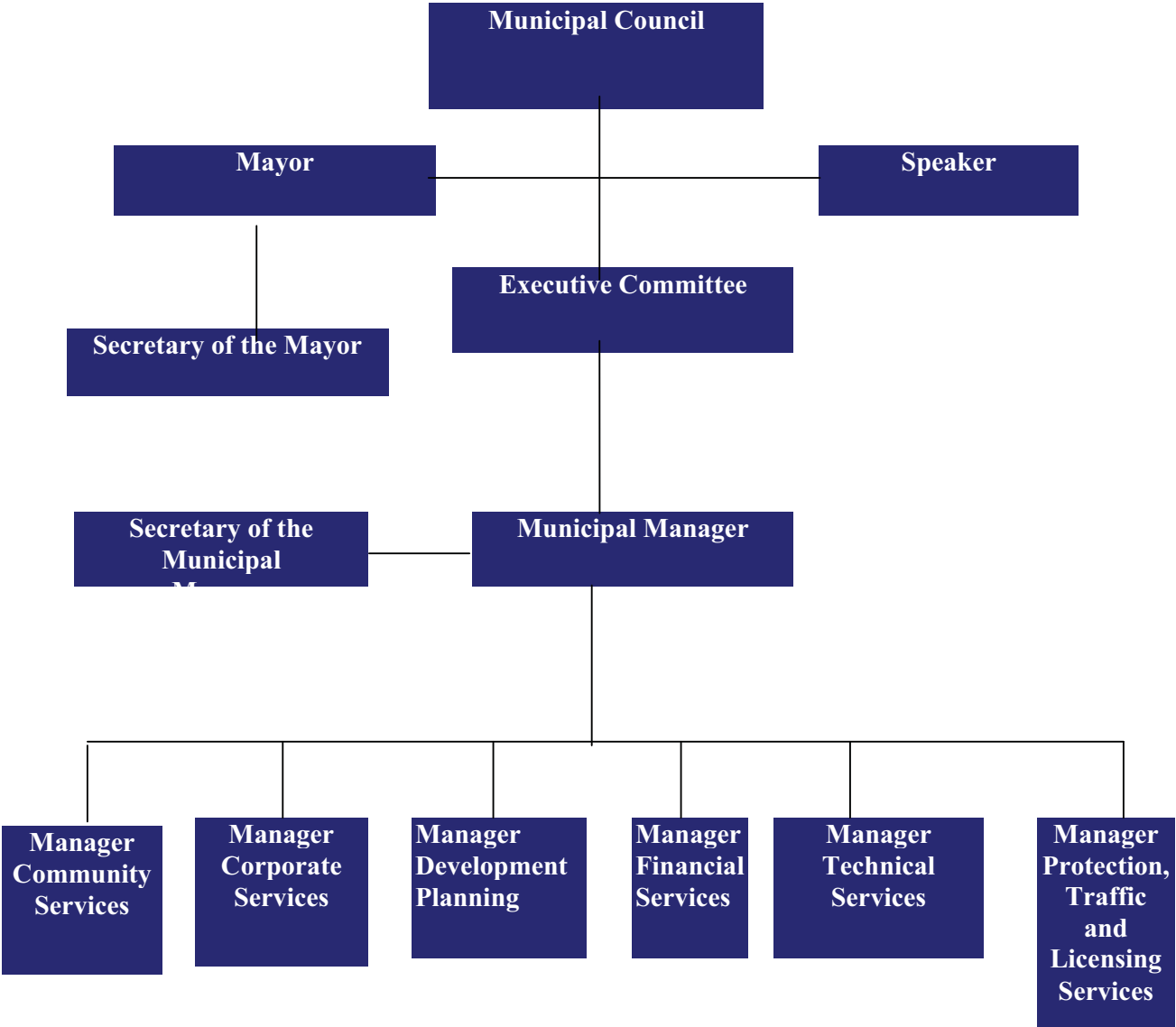


SECTION B

HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

**HUMAN RESOURCE AND OTHER ORGANISATIONAL
MANAGEMENT**

MUNICIPAL ORGANISATIONAL STRUCTURE





REVIEW OF PERSONNEL STRUCTURE

Item No.	Name of department	Total Personnel Complement	Vacancies	Total Authorised Structure	Position Vacant
1.	Municipal Manager's Office	1	1	2	Personal Assistant
2.	Finance Department	12	1	13	Budget and Finance Manager
3.	Corporate Services Department	16	3	19	Manager, Receptionist & PA
4.	Technical Services Department	5	3	8	Project Manager, Drivers
5.	Community and Social Services	61	2	63	Community Liaison, PA
6.	Traffic and Security	19	4	23	Traffic Officers & Examiners
7.	Integrated Planning Department	3	2	5	Assistant Tourism Officer & PA
	Total	116	15	131	

EMPLOYMENT EQUITY PLAN

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	28	0	0	1	9	0	0	0	0	0	38
Senior management	6	0	0	0	1	0	0	0	0	0	7
Professionally qualified and experienced specialists and mid-management	6	0	0	0	4	0	0	0	0	0	10
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	8	0	0	0	5	0	0	0	0	0	13
Semi-skilled and discretionary decision making	14	0	0	0	9	0	0	0	0	0	23
Unskilled and defined decision making	15	0	0	0	24	0	0	0	0	0	39
Sub-total (Permanent)	77	0	0	1	52	0	0	0	0	0	130
Temporary employees	22	0	0	0	12	0	0	0	0	0	34
Total	99	0	0	1	64	0	0	0	0	0	164

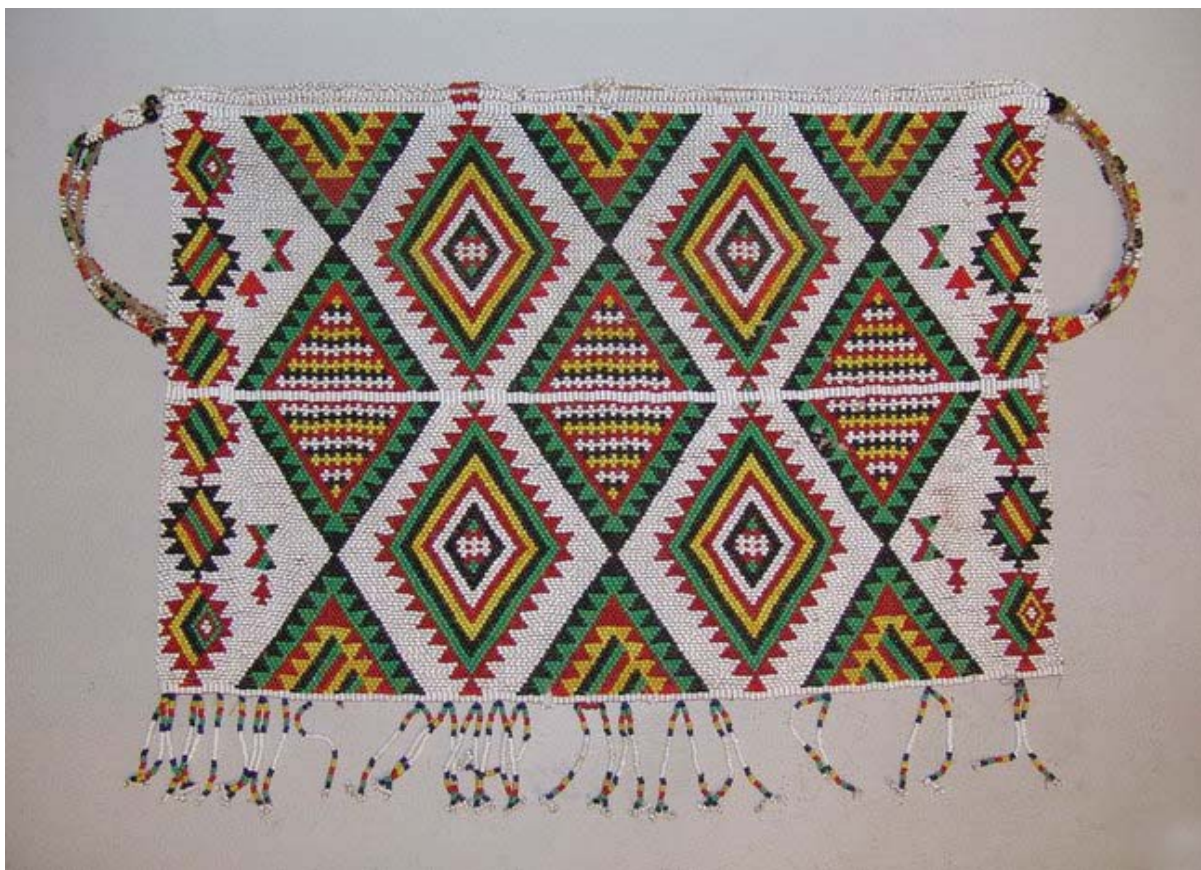
GENERAL COMMENTARY ON THE SKILL LEVELS

As is the case with other municipalities situated in far flung areas, Nongoma Municipality has been having a challenge to attract skilled staff especially in the finance department. For instance in the finance department, only two permanent staff members have a finance qualification. The Chief Financial Officer did not have adequate financial skills and managerial experience to lead the finance department. Furthermore, in the community services department the director does not have support staff and is required to perform all the administrative functions. Almost 75% of the employees in that department are casual employees.

PERSONNEL EXPENDITURE HISTORY

Nature of expenditure	2006 R	2007 R	2008 R	2009 R
Total salaries and wages	14,324,610	19,361,889	19,435,806	21,766,360
% change (year to year)	-	35%	0%	12%
Total operating expenditure	28,977,648	36,791,152	38,455,199	42,932,150
Salaries/operating expenditure	49%	53%	51%	51%

The level of salaries and wages expenditure has remained fairly constant over the period under review. However, the spike in 2007 was due to the payment of arrear upward salary adjustments for Councillors. In 2008, the Councillors were paid in accordance with 2007 upper limits. The shortfall was paid in 2009.



PENSION, PROVIDENT AND MEDICAL AID FUNDS

Pension and Provident Funds

The municipal councillors belong to the Municipal Councillors' Pension Fund. Personnel belong to the following Pension Funds:

- Natal Joint Municipal Pension Fund
- Government Employees Pension Fund

Besides standard monthly payroll deductions paid to these institutions, no future risks or extraordinary liabilities are foreseen.

Medical Aid Funds

Municipal personnel belong to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA-Health (Discovery)
- Gen-Health
- Nunimed

Other than standard monthly payroll deductions paid to these institutions, no future risks or extraordinary liabilities are foreseen.



SECTION C

ANNUAL FINANCIAL STATEMENTS

AND

RELATED FINANCIAL INFORMATION



MANAGER'S STATEMENT OF RESPONSIBILITY

The Nongoma Municipality is a category C Municipality established in terms of section 12(1) of the Municipal Systems Act, No. 117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government Operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

I am responsible for the preparation of the annual financial statements, which are set out on pages 23 to 72, and in appendix A, B, C, D, E and F in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 50 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with the Act.

Acting Municipal Manager



ANNUAL FINANCIAL STATEMENTS



ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

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The annual financial statements set out on pages 30 to 79, have been approved by the Municipal Manager and are signed to that effect.

STATEMENT OF FINANCIAL POSITION

at 30 June 2009

		2009	2008
NET ASSETS AND LIABILITIES	Note	R	R
NET ASSETS		27,959,365	28,832,063
Accumulated Deficit	16	(3,255,254)	(2,245,863)
Government Grant Reserve	2	18,676,651	18,539,957
Donation and Public Contribution Reserve	3	12,537,969	12,537,969
NON CURRENT LIABILITIES		769,321	1,323,132
Long term liabilities	4	769,321	1,323,132
CURRENT LIABILITIES		16,514,811	19,791,048
Provisions	1	2,046,591	2,065,839
Consumer deposits	5	5,340	151,269
Unspent conditional grant and receipts	12	11,054,432	11,210,092
Bank overdraft	21	1,171,998	3,120,847
Creditors	11	1,771,864	2,778,416
Current portion of long-term liabilities	4	464,585	464,585
TOTAL NET ASSETS AND LIABILITIES		45,243,497	49,946,243
ASSETS			
NON- CURRENT ASSETS		35,942,906	36,572,582
Property, plant and equipment	6	35,365,548	35,733,192
Investments	7	577,358	411,908
Long term receivables	8	-	427,482
CURRENT ASSETS		9,300,592	13,373,662
Debtors	10	9,300,592	13,181,960
Inventory	9	-	191,702
TOTAL ASSETS		45,243,497	49,946,244

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2009

	Note	Actual 2009 R	Actual 2008 R
REVENUE			
Government and Provincial grants and subsidies	22	42,939,214	30,066,501
Rates		1,053,667	1,001,999
Sale of water		-	23,967
Refuse removal		571,897	-
Other income		1,216,001	1,615,245
TOTAL REVENUE		46,014,383	32,707,712
EXPENDITURE			
Employee related costs		15,163,810	19,435,806
Remuneration of councillors		6,602,550	-
Depreciation		206,711	-
General expenses		8,156,912	10,335,065
Repairs and maintenance		429,967	379,861
Contributions to fixed assets		12,349,756	8,200,227
Grants and subsidies contributed		22,444	104,240
Total Expenditure		42,932,150	38,455,199
Surplus/ (Deficit)		3,082,233	(5,747,487)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2009

	Pre-GRAP GAMAP Accum Funds	Pre-GRAP GAMAP PIF	Pre-GRAP GAMAP Reserve Maintenance Reserve	Pre-GRAP GAMAP Provisions	Pre-GRAP GAMAP Loans Redeemed Capital Receipt	Government Grant Reserve	Donation and Public Contribution Reserve	Accumulated Surplus/ Deficit	Total
	R	R	R	R	R	R	R	R	R
2008									
Balance at 1 July 2008	736 367	4 370 367	22 079	1 294 412	32 088 837			548 258	548 258
Implementation of Gamap	(736 367)	(4 370 367)	(22 079)	(1 294 412)	(32 088 837)	15 465 422	16 623 415	6 423 225	38 512 062
Restated Balance	-	-	-	-	-	15 465 422	16 623 415	6 971 483	39 060 320
Surplus/(deficit) for the year								(5 795 422)	(5 795 422)
Surplus/(deficit) for the year								(3 479 561)	(3 479 561)
PPE purchased						5 368 040		57 637	5 425 677
Offsetting of Depreciation						(2 293 505)	(4 085 446)		(6 378 951)
Balance as at 30 June 2008	-	-	-	-	-	18 539 957	12 537 969	(2 245 863)	28 832 063
Correction of error					31 077 926				
Restated Balance	-	-	-	-	31 077 926	18 539 957	12 537 969	(2 245 863)	28 832 063
Surplus/(deficit) for the year								3 082 233	3 082 233
Appropriated during the year								(4 091 625)	(4 091 625)
PPE purchased						11 750 308			11 750 308
PPE Transferred and Written off (W&E)						(11 613 614)			(11 613 614)
Balance as at 30 June 2009	-	-	-	-	-	18 676 651	12 537 969	(3 255 254)	27 959 366

CASH FLOW STATEMENT

for the year ended 30 June 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	17	11,829,785	(20,128,549)
Cash paid to suppliers and employees	18	3,319,094	9,796,618
Cash generated from /(utilised in) operations		15,148,879	(10,331,931)
Interest received	15	233,603	8,917,796
Interest paid	15	(3,495)	(456,626)
NET CASH FROM OPERATING ACTIVITIES		15,378,987	(1,870,761)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(13,104,776)	(1,489,537)
Decrease in non-current receivables		(427,482)	(219,324)
Increase in non-current investment	20	(165,450)	-
NET CASH FLOW FROM INVESTING ACTIVITIES		(13,677,709)	(1,708,860)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term loans (external)	19	-	-
Increase in consumer deposits		-	-
NET CASH FLOW FROM FINANCING ACTIVITIES		-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		1,948,849	(3,579,622)
Cash and cash equivalents at beginning of year	21	(3,120,847)	458,775
Cash and cash equivalents at end of the year	21	(1,171,998)	(3,120,847)

ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2009

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of :- General Notice 991 of 2006, issued in Government Gazette no. 28095 of 7 December 2005; and General Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005.

The Standards comprise of the following:

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GAMAP 4 The Effects of Changes in Foreign Exchange Rates
- GAMAP 6 Consolidated Financial Statements and Accounting for Controlled Entities
- GAMAP 7 Accounting for Investments
- GAMAP 8 Financial Reporting of Interest in Joint Ventures
- GAMAP 9 Revenue
- GAMAP 12 Inventories
- GAMAP 17 Property, Plant and Equipment
- GAMAP 19 Provisions, Contingent Liabilities and Contingent Assets

Accounting Policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 22 and 12 of GRAP 3. these accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. CONTRIBUTIONS

Contributions reflected in the statement of financial performance consist of contributions to the leave reserve, working capital reserve (provision for bad debts). Leave provision is calculated on

the number of compoundable leave days outstanding as at the statement of financial position date, using the daily employment cost rate.

4.1 Capitalisation Reserve of GAMAP/GRAP, the balances on certain funds, created in terms of the erstwhile Local Authorities Ordinance, 1974 (No. 25 of 1974) that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus / (deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus / (deficit). The balance on the Capitalisation Reserve is equal to the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, an equivalent amount is transferred from the Capitalisation Reserve to the accumulated surplus / (deficit).

When items of property, plant and equipment are disposed of, the balances in the Capitalisation Reserve relating to such items are transferred to the accumulated surplus / (deficit).

4.2 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grant Reserve equal to the government grant recorded in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When of property, plant and equipment financed from government grants is disposed, the balance relating to such items is transferred to the accumulated surplus/deficit. As from 1 July 2006, government grants received relating to property, plant and equipment are included in non-current liabilities as deferred income, and are credited to the statement of financial performance on a straight-line basis over the expected useful lives of the related assets to comply with IAS 20 (paragraph 24 and 26).

4.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitated budgetary control by ensuring that sufficient funds are set aside to offset future depreciation charges that will be incurred over the useful lives of donations and public contributions funded items of property, plant and equipment.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance relating to such items is transferred to the accumulated surplus/deficit.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Infrastructure	Years
Community	
Buildings	30
Recreational facilities	20-30
Security	5
Other	
Buildings	30
Motor vehicles	5
Office equipment	3-7
Furniture and fittings	7-10
Other plant and equipment	2-5
Landfill sites	15

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

When the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment is charged to the Statement of Financial Performance.

6. INVESTMENTS

Financial instruments which include government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7. OTHER RECEIVABLES

Other receivable consist of transactions during the year. One such transaction was the hand-over of the water and sewer services to the District Municipality. Most of these debtors according to the Government Gazette will be written off. Other debtors will be for amounts received at the cashier but not banked. Bad debts are provided for and once all discussions and investigations are finalised the relevant steps will be taken.

8. REVENUE RECOGNITION

8.1 Revenue from Exchange Transactions

Service charges relating to refuse removal are recognised on a monthly basis applying the approved tariff to each property that has improvements. Tariffs are determined per category of property, and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Revenue from the sale of goods are recognised when the risk is passed to the consumer.

8.2 Revenue from non-exchange transactions

Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportion basis.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (No. 56 of 2003) and is recognised when the recovery from the responsible councillors or officials is virtually certain.

Revenue arising from the application of the approved tariff of charges is generally recognised when the relevant service is rendered.

9. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

10 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

11 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an

expense in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act, No. 56 of 2003), the Municipal Systems Act, (Act No. 32 of 2000), the Public Office Bearers Act, (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14 COMPARATIVE INFORMATION

14.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

14.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

15 LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance cost are expensed when incurred.

Operating leases are those that do not fall within the scope of the above definition. Operating lease rentals are expenses as they become due.

The Municipality as Lessor

Amounts due from lessees, under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the finance leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

16 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

17 INVESTMENT PROPERTIES

Investment property which is property held to earn rental revenue or for capital appreciation is stated of cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost using the straight-line method over the useful life of the property.

18 ACCOUNTS RECEIVABLE

Accounts payable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within twelve months from the reporting date are classified as current.

19 TRADE PAYABLES

Trade payables are stated at their nominal value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
1 PROVISIONS		
Leave	2,046,591	2,065,839
	<u>2,046,591</u>	<u>2,065,839</u>
(Refer to Appendix F for more detail)		
2 GOVERNMENT GRANTS RESERVE		
Government Grant Reserve	18,676,651	18,539,957
	<u>18,676,651</u>	<u>18,539,957</u>
3 DONATIONS AND PUBLIC CONTRIBUTIONS RESERVE		
Donation and Public Contribution Reserve	12,537,969	12,537,969
	<u>12,537,969</u>	<u>12,537,969</u>
4 LONG-TERM LIABILITIES		
Other loans	1,233,906	1,787,717
Less: Current portion of long term liability	464,585	464,585
	<u>769,321</u>	<u>1,323,132</u>
ANNUITY AND OTHER LOANS		
Bear interest at rates of between 7.5% pa and 16.85% pa and will be fully redeemed in 2019.		
5. DEPOSITS		
Consumer Deposits	5,340	151,269

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

6. FIXED ASSETS

	2009	2008
	R	R
Fixed assets	35,733,192	36,078,223
Capital outlay during the year	13,104,776	5,396,691
Adjustments : Water Services Assets	(13,265,710)	-
Total fixed assets	35,572,259	41,474,914
Less: Depreciation	(206,712)	(5,741,721)
Carrying value	35,365,547	35,733,193

Property, Plant and Equipment at 30 June 2009

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying Value at 30 June 2008	8,605,309	12,845,204	16,384,818	4,276,812	42,112,143
Cost	8,605,309	12,845,204	16,384,818	4,276,812	42,112,143
Acquisitions	12,903,715		7,543	193,518	13,104,776
Depreciation			(5,948,432)		(5,948,432)
Carrying value of disposal	(420,506)	14,323,445			(13,902,939)
Cost	(420,506)	14,323,445)			(13,902,939)
Accumulated Depreciation					
Carrying Value at 30 June 2009	21,088,518	27,168,649	10,443,929	4,470,330	35,365,548
Cost	21,088,518	12,845,204	16,363,710	4,470,330	55,216,919
Accumulated Depreciation	-	-	(5,948,432)	-	(5,948,432)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

6 FIXED ASSETS (CONTINUED)

Property, Plant And Equipment at 30 June 2009

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying Value at 1 July 2008	3,237,269	12,845,204	16,356,167	4,276,812	36,715,452
Costs	3,237,269	12,845,204	16,356,167	4,276,812	36,715,452
Accumulated depreciation			(5,741,721)		(5,741,721)
Acquisitions					-
Capital under Construction	5,368,040			28,651	5,396,691
Depreciation					-
Carrying value of disposal				(637,230)	(637,230)
Cost				(637,230)	(637,230)
Accumulated Depreciation					
Carrying Value at 30 June 2008	8,605,309	12,845,204	10,614,446	3,668,233	35,733,192
Cost	8,605,309	12,845,204	16,356,167	3,668,233	41,474,913
Accumulated Depreciation	-	-	(5,741,721)	-	(5,741,721)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
7 INVESTMENTS		
Unlisted :	516,276	588,613
Long term deposits	-	(200,000)
Long term deposits	61,082	23,294
Total investments	577,358	411,908
Management's valuation of unlisted investments		
Valued at net book value as above	577,358	411,908
Average gross rate of return on investments	-	-
Institution		
ABSA	577,358	411,908
Total	577,358	411,908
8 LONG TERM DEBTORS		
Land sale	267,571	267,571
Vehicle loan	-	159,911
	267,571	427,482
Less : Short-term portion	(267,571)	(427,482)
	-	-

Interest rate = 8.5 %

Period of loan = 60 months

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
9 INVENTORY		
Rates and general	-	74,986
Water service	-	49,842
Electricity service	-	266,875
	-	391,702
Less Provision for obsolete stock	-	(200,000)
	-	191,702
10 DEBTORS		
Consumer debtors:		
Rates	2,327,156	2,817,569
Refuse	2,830,165	2,414,100
Sewerage	-	1,581,514
Market stalls	973,171	845,572
Service fee	264,902	239,407
Water	-	4,658,203
Electricity	-	2,389,189
Total	6,395,394	14,945,554

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
10 DEBTORS (CONTINUED)		
Other debtors	71,215	(18,290)
Advance salary	-	(63,285)
Debtors grazing	9,181	9,181
Sundry debtors	62,034	32,214
Deposits electricity income	-	3,600
Value -added tax claim	3,210,745	1,818,164
PAYE debtors	628,519	628,519
Total debtors	10,305,872	17,373,947
Short-term portion of long-term debtors	267,571	-
Less : Provision for doubtful debts	(1,272,852)	(4,191,987)
Total	9,300,592	13,181,960
Summary of debtors for assessment rates		
Current : (0 - 30 Days)	2,649,544	
31 - 60 Days	59,001	
61 - 90 Days	181,794	
91 - 120 Days	44,269	
121 - 365 Days	43,219	
+350 Days	(650,670)	
	2,327,156	-
Less: Provision for bad debts	-	-
	2,327,156	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
Summary of debtors for services		
Current : (0 - 30 Days)	3,872,891	
31 - 60 Days	65,577	
61 - 90 Days	62,857	
91 – 120 Days	62,210	
121 - 365 Days	61,578	
+350 Days	14,339	
	4,139,452	-
Less: Provision for bad debts	-	-
	4139,452	-
11 CREDITORS		
Consumers	-	253,020
Value-added tax	-	1,939,853
Paye liability	-	472,979
Suspense unallocated receipt	196,494	125,730
Salary suspense	-	(38,400)
Salary suspense	-	42,281
Other creditors	-	103,016
Creditors suspense (accruals)	1,575,370	(176,162)
Licences	-	56,100
Total	1,771,864	2,778,416

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Library Grant	192,950	114,050
CDW Grant	87	87
IDP Grant	(532,090)	(532,090)
Tourism Grant	59,429	59,429
Finance Management	1,502,843	1,123,834
Municipal Infrastructure Grant	5,412,060	6,405,152
PRA and Valuation Roll Grant	217,859	217,859
GIS	358	358
Interdep Monitoring	100,000	100,000
PMS	45,348	45,348
Property Rates	147,750	147,750
IDP Grant	90,639	90,639
Electricity Capacity Grant	100,000	100,000
LED Grant	(24,635)	(24,635)
Housing Holinyoka	(840,080)	(840,080)
Housing Buxedene	(712,860)	(712,860)
Project Cons-other	(134,000)	(134,000)
MPPCB	391,500	391,500
Housing Section Plan	4,950	4,950
Prep Funding	18,680	45,000
HR Systems and Procedures	(23,378)	(23,378)
Basic Bookkeeping	11,080	100,000
Internal Controls	150,000	150,000
Public Participation	62,958	157,818

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Construction of Roads	2,000,000	2,000,000
Hand Craft Development	(15)	24,925
MIIP	183,220	183,220
GRAP / GAMAP CONVERSION	300,000	-
Debt Collection Strategy	100,000	-
LUMS	250,000	250,000
MSIG	775,945	564,494
Zululand District Municipality	3,112	-
Indigent Support	-	-
Institutional Grant	185	185
Municipal Assistance PRO GRAM	1,185,489	1,185,489
LED Grant	15,049	15,049
Total	11,054,432	11,210,092
LIBRARY GRANT		
Balance unspent at the Beginning of the Year	114,050	114,050
Current year Receipt	78,900	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	192,950	114,050

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
CDW GRANT		
Balance unspent at the Beginning of the Year	87	87
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	87	87
IDP GRANT		
Balance unspent at the Beginning of the Year	(532,090)	(582,090)
Current year Receipt	-	50,000
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	(532,090)	(532,090)
TOURISM GRANT		
Balance unspent at the Beginning of the Year	59,429	59,429
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	59,429	59,429
FINANCE MANAGEMENT		
Balance unspent at the Beginning of the Year	1,123,834	898,534
Current year Receipt	500,000	7,509,701
Conditions met transferred to Revenue	120,991	7,284,401
Conditions still to be met transferred to Liabilities	1,502,843	1,123,834

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
MUNICIPAL INTEGRATED GRANT		
Balance unspent at the Beginning of the Year	6,405,152	(822,784)
Current year Receipt	10,388,468	16,003,101
Conditions met transferred to Revenue	11,381,561	8,775,165
Conditions still to be met transferred to Liabilities	5,412,060	6,405,152
PRA AND EVALUATION ROLL GRANT		
Balance unspent at the Beginning of the Year	217,859	217,859
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	217,859	217,859
GEOGRAPHICAL INFORMATION SYSTEMS		
Balance unspent at the Beginning of the Year	358	358
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	358	358
INTERDEPARTMENTAL MONITORING		
Balance unspent at the Beginning of the Year	100,000	100,000
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
PERFORMANCE MANAGEMENT SYSTEMS		
Balance unspent at the Beginning of the Year	45,348	45,348
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	45,348	45,348
PROPERTY RATES		
Balance unspent at the Beginning of the Year	147,750	147,750
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	147,750	147,750
INTEGRATED DEVELOPMENT PLANNING GRANT		
Balance unspent at the Beginning of the Year	90,639	90,639
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	90,639	90,639
ELECTRICITY CAPACITY GRANT		
Balance unspent at the Beginning of the Year	100,000	100,000
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
LOCAL ECONOMIC DEVELOPMENT GRANT		
Balance unspent at the Beginning of the Year	(24,635)	(24,635)
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	(24,635)	(24,635)
HOUSING HOLINYOKA GRANT		
Balance unspent at the Beginning of the Year	(840,080)	(878,480)
Current year Receipt	-	38,400
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	(840,080)	(840,080)
HOUSING BUXEDENE GRANT		
Balance unspent at the Beginning of the Year	(712,860)	(725,700)
Current year Receipt	-	12,840
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	(712,860)	(712,860)
PROJECT CONSOLIDATE - OTHER		
Balance unspent at the Beginning of the Year	(134,000)	(134,000)
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	(134,000)	(134,000)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
MPPCB		
Balance unspent at the Beginning of the Year	391,500	-
Current year Receipt	-	391,500
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	391,500	391,500
HOUSING SECTION PLAN		
Balance unspent at the Beginning of the Year	4,950	-
Current year Receipt	-	50,000
Conditions met transferred to Revenue	-	45,050
Conditions still to be met transferred to Liabilities	4,950	4,950
PREPARATION FUNDING		
Balance unspent at the Beginning of the Year	45,000	-
Current year Receipt	240,000	45,000
Conditions met transferred to Revenue	266,320	-
Conditions still to be met transferred to Liabilities	18,680	45,000
HR SYSTEMS AND PROCEDURES		
Balance unspent at the Beginning of the Year	(23,378)	(23,378)
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	(23,378)	(23,378)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
BASIC BOOKKEEPING		
Balance unspent at the Beginning of the Year	100,000	100,000
Current year Receipt	-	-
Conditions met transferred to Revenue	88,920	-
Conditions still to be met transferred to Liabilities	11,080	100,000
INTERNAL CONTROLS		
Balance unspent at the Beginning of the Year	150,000	150,000
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	150,000	150,000
PUBLIC PARTICIPATION		
Balance unspent at the Beginning of the Year	157,818	57,818
Current year Receipt	-	100,000
Conditions met transferred to Revenue	94,860	-
Conditions still to be met transferred to Liabilities	62,958	157,818
CONSTRUCTION OF ROADS		
Balance unspent at the Beginning of the Year	2,000,000	2,000,000
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	2,000,000	2,000,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
HAND CRAFT DEVELOPMENT		
Balance unspent at the beginning of the year	24,925	180,000
Current year receipt	21,877	-
Conditions met transferred to revenue	46,817	155,075
Conditions still to be met transferred to liabilities	(15)	24,925
MIIP		
Balance unspent at the Beginning of the Year	183,220	183,220
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	183,220	183,220
GRAP / GAMAP CONVERSION		
Current year Receipt	300,000	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	300,000	-
DEBT COLLECTION STRATEGY		
Balance unspent at the Beginning of the Year	-	-
Current year Receipt	100,000	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	100,000	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
LAND USE MANAGEMENT SYSTEM		
Balance unspent at the Beginning of the Year	250,000	250,000
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	250,000	250,000
MUNICIPAL SYSTEMS INTEGRATED GRANT		
Balance unspent at the Beginning of the Year	564,494	250,593
Current year Receipt	755,208	9,050,811
Conditions met transferred to Revenue	543,756	8,736,910
Conditions still to be met transferred to Liabilities	775,945	564,494
ZULAND DISTRICT MUNICIPALITY		
Balance unspent at the Beginning of the Year	-	-
Current year Receipt	80,000	-
Conditions met transferred to Revenue	76,888	-
Conditions still to be met transferred to Liabilities	3,112	-
GOVERNMENT GRANT CREDITORS		
Balance unspent at the Beginning of the Year	11,210,092	-
Current year Receipt	12,464,453	-
Conditions still to be met transferred to Liabilities	12,620,113	-
Conditions still to be met transferred to Liabilities	11,054,432	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
12 CREDITORS: UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
INSTITUTIONAL GRANT		
Balance unspent at the Beginning of the Year	185	185
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	185	185
MUNICIPAL ASSISTANCE PROGRAM		
Balance unspent at the Beginning of the Year	1,185,489	1,185,489
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	1,185,489	1,185,489
LOCAL ECONOMIC DEVELOPMENT GRANT		
Balance unspent at the Beginning of the Year	15,049	15,049
Current year Receipt	-	-
Conditions met transferred to Revenue	-	-
Conditions still to be met transferred to Liabilities	15,049	15,049

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

13 REMUNERATION

COUNCILLORS' REMUNERATION:

	2009 R	2008 R
Mayor's allowance	282,909	237,696
Deputy Mayor's allowance	221,144	70,112
Speaker's allowance	399,260	211,083
Members' allowances	-	1,040,986
Executive committee allowances	831,760	114,122
Local Authority attendance fees	-	19,507
Medical aid contributions	47,851	16,510
Pension fund contributions	-	118,194
	<u>1,782,925</u>	<u>1,828,210</u>

EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	9,784,060	8,157,205
Employee related costs : Contribution for UIF, Pension and Medical Aid	2,650,043	1,832,135
Travel, Motor Car, Accommodation, Subsistence and other allowances	2,447,071	1,264,691
Housing benefit and allowances	27,860	423,697
Overtime payments	254,776	90,568
Performance bonuses	-	329,491
Total employee related costs	<u>15,163,810</u>	<u>12,097,787</u>

There were no advances and loans issued to employees

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

13 REMUNERATION

	2009	2008
	R	R
Remuneration of the Municipal Manager		
Annual remuneration	696,607	347,367
Leave pay	44,895	284,817
Car allowance	79,857	122,400
Contribution to UIF, Medical and Pension Fund	144,356	34,251
Total	965,715	788,835
Remuneration of the Chief Financial Officer		
Consulting remuneration	-	210,000
Annual remuneration	583,022	241,841
Leave pay	-	37,415
Performance bonuses	-	42,486
Car allowance	24,000	96,000
Contribution to UIF, Medical and Pension Fund	133,292	42,917
Total	740,314	670,659

EXECUTIVE MANAGERMENTS' REMUNERATION

	Director Community	Director Admin	Director IDP	Director Licence	Director Technical
Annual remuneration	549,565	549,258	550,204	520,182	373,799
Leave pay	17,036	17,868	17,036	23,462	114,941
Acting allowance	39,600	39,600	39,600	30,000	16,500
Car allowance	50,400	24,000	50,400	84,000	10,000
Medical and pension funds	103,654	124,277	124,277	92,418	47,850
Total	760,255	755,002	781,517	750,062	563,090

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

13 REMUNERATION	2009	2008
	R	R
Remuneration: other staff	(496,331)	8,724,564
Total salaries, wages and allowances	21,766,360	14,056,530
Managements' remuneration as a percentage of total remuneration	0.17%	0.13%
14 AUDITORS' REMUNERATION		
Audit fees	739,085	501,595
15 FINANCE TRANSACTIONS		
Total external interest earned or paid:		
Interest earned	233,603	-
Interest paid	(3,495)	(64,588)
There were no guarantees in lieu of deposits.		
16 APPROPRIATIONS		
Accumulated (deficit)/surplus at beginning of the year	(2,245,863)	548,258
Operating surplus / (deficit) for the year	3,082,233	(5,795,422)
Appropriations for the year:		
Prior year adjustments - appropriation	(4,091,625)	3,001,299
Accumulated deficit at the end of the year	(3,255,254)	(2,245,863)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

16 APPROPRIATIONS (CONTINUED)	2009	2008
	R	R
Operating account		
Capital expenditure	13,104,776	1,489,537
Contributions to provisions:		
Leave pay	-	247,061
	13,104,776	1,736,598
17 CASH GENERATED BY OPERATIONS		
Surplus/Deficit for the year	3,082,233	(15,147,350)
Adjustments in respect of:		
Previous years' operating transactions	(4,091,625)	3,001,299
Appropriations charged against income:		
Interest paid	3,495	456,626
Investment income (operating account)	(233,603)	(8,917,796)
Capital expenditure	13,104,776	1,489,537
Provisions	(35,492)	(1,931,907)
	11,829,785	(11,210,753)
18 (INCREASE) / DECREASE IN WORKING CAPITAL		
Decrease in inventory	191,702	-
Decrease in debtors	4,073,071	15,665,252
Increase / (Decrease) in creditors	(1,181,461)	(5,969,576)
Decrease in long-term debtors	427,482	100,942
(Decrease) in consumer deposits	145,929	-
	3,319,093	9,796,618

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
19 INCREASE IN LONG-TERM LOANS (EXTERNAL)		
Loans redeemed	(427,482)	(219,323)
20 INCREASE IN EXTERNAL CASH INVESTMENTS	(165,450)	(51,874,291)
21 INCREASE IN CASH ON HAND AND AT BANK		
Cash balance beginning of year	(3,120,847)	458,775
Less: Cash balance end of year	(1,171,998)	(3,120,847)
Primary Account	(2,100,597)	(3,537,787)
Bursary Fund	-	12,267
Absa Account	308,904	404,673
Provincial Grant Account	483,809	-
Bank Account Licensing	58,367	-
Bank Account Mig	77,519	-
	(1,948,849)	3,579,622
Bank statement balance at beginning of year	(3,537,787)	-
Bank statement balance at end of year	(77,734)	(3,537,787)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

22 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share

Provincial Grant

National Treasury Grant

EQUITABLE SHARE

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and basic services.

Changes in the level of government grant

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of Government grant funding expected over the next three financial years.

23 RETIREMENT BENEFITS

Employees belong to the Natal Joint Municipal Pension fund which provides retirement benefits to such employees. The retirement plan is subject to the Pension Funds Act, 1956

In accordance with the regulations governing the Fund and in compliance with Section 16 of the Pension Funds Act, 1956 (Act No. 24 of 196) the financial position of the Fund is examined and reported upon by the Valuator at intervals not exceeding three years. In practice the Valuator conducts a statutory valuation on a triennial basis and an interim on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

23 RETIREMENT BENEFITS (CONTINUED)

In respect of Service to 31 March 2006 the actuarial value of the total assets was R121.7 million less made up as follows:

- surplus of R210,0 million in respect of pensioners (funding level 119,4%)
- deficit of R88,3 million in respect of members (funding level 95,0%) of which deficit
- about R49,0 million was attributable to salary increases being higher than expected (the average salary increased by 9,7% over the three years which is substantially in excess of inflation).

The Fund was thus 104,3% funded. The Fund did not hold an investment reserve.

Statutory Valuations of the Fund as at 31 March 2006 and Report on the Operations of the Memorandum Account for the year ended 31 March 2006.

In respect of Service to 31 March 2006 the actuarial value of the total assets was R140,9 million less made up as follows:

- surplus of R63,4 million in respect of pensioners (funding level 116,2%)
- deficit of R204,3 million in respect of members (funding level 73.0%) attributed to salary increases being higher than expected (the average salary increased by 11,1% over the three year period which is substantially in excess of inflation).

The Fund was thus 87,7% funded. The Fund did not hold an investment reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
24 CAPITAL COMMITMENTS		
Total funded from external sources (MIG Fund).	5,412,060	6,405,152
MIG EXPENDITURE		
Bambelentulo Creche	45,859	
Bangamaye Community Hall	193,613	
Black-Top	537,569	
Buxedene Sport Field	8,434	
Dabhazi Creche	190,237	
Emangqashaneni Community Hall	198,219	
Emangqomfini Community Hall	118,504	
Ezimpisini Creche	23,879	
Holinyoka Community Hall	95,789	
Holinyoka Sport Field	628,887	
Kwampunzana Creche	65,349	
Kwansele Sport Field	339,137	
Kwatoyisa Community Hall	104,214	
Kwaziphethe Creche	322,478	
Mahhashini Market Stalls	17,198	
Makhalaneni Creche	83,361	
Mangomhlophe Sport Field	115,786	
Mangqwashu Multie-Purpose	963,514	
Manyoni Sport Field	148,795	
Maphophoma Community Hall	38,144	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
24 CAPITAL COMMITMENTS		
MIG EXPENDITURE		
Minya Community Hall	121,210	
Mona Taxi Rank	16,181	
Mvomveni Creche	385,459	
Ndema Sportfield	300,032	
Ndimhlana Sport Field	355,728	
Nhlophenkulu Creche	185,729	
Nongoma Town Hall	1,378,610	
Nzobo Community Hall	1,396,632	
Ophaphasi Creche	246,243	
Ovukeni Sports Field	520,264	
Sovane Community Hall	84,705	
Usuthu Sports Field	410,457	
Vuna Community Hall	379,423	
Wela Sport Field	705,365	
Zwelisha / Singisingi Creche	1,157	
External Funded - MIG Grant	10,726,162	10,775,165
25 IMPLEMENTATION OF GRAP		
Statutory Funds		
Balance previously reported: -		
Capital Development Fund	-	736,367
Public Improvement Grant	-	5,686,858
Loans redeemed and other capital receipts	-	32,088,837
Total	-	38,512,062

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R	R
25 IMPLEMENTATION OF GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 26.7 below)	-	6,423,225
Transferred to Government Grant Reserve	-	15,465,422
Transferred to Capitalisation Reserve	-	16,623,415
Total	-	38,512,062
Provisions and Reserves		
Balance previously reported:-		
Road	-	22,079
Audit fees	-	501,595
Obsolete inventory	-	200,000
Total	-	723,674
Implementation of GAMAP		
Transferred to Accumulated Surplus/(Deficit) (see 26.7 below)	-	723,674
Adjustments to inventory (see 26.3 above):		
Excessive provisions and reserves no longer permitted (see above)	-	723,674
Non-current provisions previously not recognised (see 26.4 above)	-	-
Transferred from statutory funds (see above)	-	6,423,225
Total	-	7,146,899

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AND INTERNAL ADVANCES

	Interest	Repayment Date	Balance at 30/06/2008	Received During the Year	Redeemed or Written off During the Year	Adjustments	Balance at 30/6/2009
OTHER LOANS Wesbank	12.00%	2019	R	R	R	R	R
			1,787,717	-	553,812	-	1,233,906
			1,787,717	-	553,812	-	1,233,906

APPENDIX B

Expenditure 2008		Budget 2009	Balance at 30/06/2008	Expenditure 2009	Adjustments 2009	Balance at 30 Jun 09
R		R	R	R	R	R
5,396,591		8,842,000	42,112,142	13,104,776	(13,902,939)	41,313,979
5,368,040	Building	4,000,000	2,016,335	2,846,037		4,862,371
	Building Town Hall		3,450,980	3,091,620		6,542,600
	Office Development		2,121,596			2,121,596
	New Town Hall		293,890			293,890
	Infrastructure		162,507			162,507
28,551	Furniture and Equipment	50,665	1,437,032	193,518		1,630,550
	Tools	220,000	2,247,746		(437,230)	1,810,516
	Roads and Streets		2,485,561		(200,000)	2,285,561
	Cemetery		23,697			23,697
	Sundry Assets		636,069	2,119,177		2,755,246
	Market Stalls		234,060			234,060
	Land Assets	4,571,335	9,242,947			9,242,947
	Sewerage		1,368,538	7,543		1,376,081
	Water New		3,125,476	4,846,881		7,972,357
	Transformer		420,506		(420,506)	-

APPENDIX B (CONTINUED)

Expenditure 2008		Budget 2009	Balance at 30/06/2008	Expenditure 2009	Adjustments 2009	Balance at 30 Jun 09
R		R	R	R	R	R
5,396,591		8,842,000	42,112,142	13,104,776	(13,902,939)	41,313,979
			1,022,168		(1,022,168)	-
			11,484,749		(11,484,749)	-
			338,287		(338,287)	-
5,396,591	Accumulated depreciation	8,842,000	42,112,142	13,104,776	(13,902,939)	41,313,979
						(5,948,432)
5,396,591	BOOK VALUE	8,842,000	42,112,142	13,104,776	(13,902,939)	35,365,547

APPENDIX C

ANALYSIS OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2009

Actual 2008		Actual 2009	Budget 2009
R		R	R
	INCOME		
(30,066,501)	Government and Provincial grants and subsidies	(42,939,214)	(42,551,000)
(1,001,999)	Rates	(1,053,667)	(1,161,917)
(23,967)	Sale of Water		
	Refuse	(571,897)	(600,000)
(1,615,245)	Other Income	(1,216,001)	(774,235)
	Interest Received	(233,603)	
(32,707,712)		(46,014,383)	(45,087,152)
	EXPENDITURE		
19,435,806	Salaries, wages and allowances	21,766,360	21,236,435
10,335,065	General expenses - Other	8,363,623	7,351,133
379,861	Repairs and maintenance	429,967	417,051
8,200,227	Contributions to fixed assets	12,349,756	270,665
-	Contributions	22,444	15,811,868
104,240	Leave Reserve	-	-
38,455,199	Gross expenditure	42,932,150	45,087,152
5,747,487	Net Deficit	(3,082,233)	-

APPENDIX D

SEGMENTED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008	2008	2008		2009	2009	2009
Actual Income	Actual expenditure	Surplus/ (deficit)		Actual Income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
32,109,066	35,809,315	(3,700,249)	Resource Support Services	45,442,186	40,024,029	5,418,157
32,108,289	35,809,315	(3,701,026)	Community Services	45,441,513	40,017,903	5,423,611
1,001,999	-	1,001,999	Assessment Rates	1,053,667	-	1,053,667
-	5,819,497	(5,819,497)	Administration	-	7,476,846	(7,476,846)
15,023	10,871,316	(10,856,293)	Planning	11,661	13,908,944	(13,897,283)
-	2,504,590	(2,504,590)	Management	-	3,170,401	(3,170,401)
-	6,840,688	(6,840,688)	Council	-	7,306,416	(7,306,416)
31,006,677	8,442,795	22,563,882	Finance	43,759,907	6,327,847	37,432,060
-	110,597	(110,597)	Cemetery	-	29,598	(29,598)
-	87,513	(87,513)	Protection Services	25,300	116,309	(91,009)
84,590	1,080,492	(995,902)	Traffic	590,979	1,678,566	(1,087,587)
-	51,827	(51,827)	Roads	-	2,976	(2,976)

APPENDIX D (CONTINUED)

SEGMENTED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (deficit)		2009 Actual Income	2009 Actual expenditure	2009 Surplus/ (deficit)
R	R	R		R	R	R
574,679	2,645,885	(2,071,206)	Economic Services	572,197	2,908,121	(2,335,923)
579,072	2,601,698	(2,022,626)	Refuse	572,197	2,908,121	(2,335,923)
(4,393)	44,187	(48,580)	Sewerage	-	-	-
(23,967)	-	(23,967)	Trading Services	-	-	-
(23,967)	-	(23,967)	Water	-	-	-
32,659,778	38,455,200	(5,795,422)	TOTAL	46,014,383	42,932,150	3,082,233
		3,001,299	Appropriations for this year (refer to note 14)			(4,091,625)
		(2,794,122)	Net deficit for the year			(1,009,391)
		548,258	Accumulated surplus/(deficit) beginning of the year			(2,245,863)
		(2,245,863)	Accumulated surplus end of year			(3,255,254)

APPENDIX E

GOVERNMENT GRANT CREDITORS AND PROVISIONS FOR THE YEAR ENDED 30 JUNE 2009

	Opening Balance at 30/06/2008	Contributions During the year	Interest on investme nts	Other income	Expenditure During the Year	Adjusted to Opening Balances	Closing Balance at 30/06/2009
	R	R	R	R	R	R	R
Government Grants Creditors							
Library Grant	114,050	78,900					192,950
CDW Grant	87						87
IDP Grant	(532,090)						(532,090)
Tourism Grant	59,429						59,429
Finance Management	1,123,834	500,000			120,991		1,502,843
MIG	6,405,152	10,388,468			11,381,561		5,412,060
PRA and Valuation Roll Grant	217,859						217,859
GIS	358						358
Interdep Monitoring	100,000						100,000
PMS	45,348						45,348
Property Rates	147,750						147,750

APPENDIX E (CONTINUED)

GOVERNMENT GRANT CREDITORS AND PROVISIONS FOR THE YEAR ENDED 30 JUNE 2009

	Opening Balance at 30/06/2008	Contributions During the year	Interest on investme nts	Other income	Expenditure During the Year	Adjusted to Opening Balances	Closing Balance at 30/06/2009
	R	R	R	R	R	R	R
Government Grants Creditors							
IDP Grant	90,639						90,639
Electricity Capacity Grant	100,000						100,000
LED Grant	(24,635)						(24,635)
Housing Holinyoka	(840,080)						(840,080)
Housing Buxedene	(712,860)						(712,860)
Project Cons-other	(134,000)						(134,000)
MPPCB	391,500						391,500
Housing Section Plan	4,950						4,950
Prep Funding	45,000	240,000			266,320		18,680
HR Systems and Procedures	(23,378)						(23,378)
Basic Bookkeeping	100,000				88,920		11,080
Internal Controls	150,000						150,000

APPENDIX E (CONTINUED)

GOVERNMENT GRANT CREDITORS AND PROVISIONS FOR THE YEAR ENDED 30 JUNE 2009

	Opening Balance at 30/06/2008	Contributions During the year	Interest on investme nts	Other income	Expenditure During the Year	Adjusted to Opening Balances	Closing Balance at 30/06/2009
	R	R	R	R	R	R	R
Government Grants Creditors							
Public Participation	157,818				94,860		62,958
Construction of Roads	2,000,000						2,000,000
Hand Craft Development	24,925	21,877			46,817		(15)
MIIP	183,220						183,220
GRAP / GAMAP CONVERSION		300,000					300,000
Debt Collection Strategy		100,000					100,000
LUMS	250,000						250,000
MSIG	564,494	755,208			543,756		775,945
Zululand District Municipality		80,000			76,888		3,112
Indigent Support							
Institutional Grant	185						185

APPENDIX E (CONTINUED)

GOVERNMENT GRANT CREDITORS AND PROVISIONS FOR THE YEAR ENDED 30 JUNE 2009

	Opening Balance at 30/06/2008	Contributions During the year	Interest On investment s	Other income	Expenditure During the Year	Adjusted to Opening Balances	Closing Balance at 30/06/2009
	R	R	R	R	R	R	R
Municipal Assistance PRO GRAM	1,185,489						1,185,489
LED Grant	15,049						15,049
Government Grants Creditors	11,210,092	12,464,453			12,620,113		11,054,432
Provisions							
Bad Debts	4,191,987				2,919,135		1,272,852
Leave	2,065,839				19,248		2,046,591
Provision	6,257,825				2,938,383		3,319,442
Total	17,467,917	12,464,453			15,558,496		14,373,874

APPENDIX F

STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
General Statistics		
Population	230,672	230,672
Registered Voters	77,000	77,000
Area (Km2)	2,184	2,184
Total Valuations : Ratable (R'000)	89,001,300	89,001,300
: None Ratable (R'000)	1,846,000	1,846,000
: Commercial (R'000)		
Date of Valuation		
Number of Properties : Residential		
: Commercial	-	-
Assessment Rate : Basic (Per Rand)	4.22	4.22
: Rebate : Residential	-	-
Number of Employees	116	157

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF NONGOMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Nongoma Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 79.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 *et seq.* of the Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Nongoma municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

Basis for disclaimer of opinion

Corresponding figures

5. During the year under review, the municipality converted from the Institute of Municipal Finance Officers (IMFO) basis of accounting to the Generally Recognised Accounting Principles basis (GRAP). The effect of this is a total restatement of the comparative figures for the 2008 financial period. Standards of GRAP were not complied with, inter alia, in respect of the Presentation of financial statements (GRAP 1), Cash flow statement (GRAP 2), Accounting policies, changes in accounting estimates and errors (GRAP 3) and Property, plant and equipment (GRAP 17). Consequently, the completeness, accuracy, occurrence, existence and valuation of the restated financial statement line items could not be confirmed. This was also due to the limitations placed on the scope of my work by the entity. In this regard, alternative audit procedures were not feasible due to the absence of key financial personnel during the course of the audit. Moreover, the necessary explanations and/or documentation were not provided in support thereof.

Property, plant and equipment

6. The existence, completeness, rights and the valuation of property, plant and equipment stated at R35,37 million in note 6 to the financial statements could not be confirmed due to the limitation of scope placed upon my work by the municipality and the fact that no reliance could be placed upon the restated opening balances. Moreover, there is a difference of R10,32 million between the fixed asset register and financial statements and the fixed asset register was not compliant with GRAP 17 and alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Investments

7. The short-term fixed deposits were incorrectly classified under investments instead of cash and cash equivalents in the financial statements. Consequently, investments were overstated by R577 358 as disclosed in note 7 to the financial statements and the cash and cash equivalents were understated by the same amount.

Receivables

8. An assessment of the recoverability of consumer debtors revealed a history of non-payment. Consequently, the provision for the write-down of consumer debtors of R1,27 million as disclosed in note 10 to the financial statements is understated, and consumer debtors is overstated by at least R535 292.
9. Debtors relating to sewerage, water, electricity and vehicle loans were written off during the year under review, however, these transactions were not recognised in the statement of financial performance as bad debts written off. This resulted in the operating surplus being overstated and provision for bad debts being understated by R5,36 million, respectively. Moreover, no council approval was obtained for this write-off.
10. The valuation, existence, completeness and rights of the Value-Added-Tax (VAT) claims totalling R3,21 million as disclosed in note 10 to the financial statements could not be confirmed. In this regard, a limitation of scope was placed on this amount, as no further documentation and/or explanations were presented. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.
11. The valuation, existence and completeness of the "Pay-As-You-Earn" (PAYE) reflected as debtors totalling R628 519 as disclosed in note 10 to the financial statements could not be confirmed. In this regard, a limitation of scope was placed on this amount, as no further documentation and/or explanations were presented on request. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Long-term debtors

12. The valuation, existence, completeness and rights of long-term receivables totalling R267 571, as disclosed in note 8 to the financial statements in respect of land sales, was unsupported and the vehicle loans which have decreased from R159 911 to a nil balance in the current year could not be confirmed, as explanations and/or supporting documentation for the change were not provided by management upon request. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Long-term liabilities

13. The valuation, existence, completeness and obligations of the long-term liabilities balance of R769 321 as disclosed in note 4 to the financial statements and the related short-term loan portion of R464 585, could not be confirmed due to the limitation of scope placed upon my work by the entity. In this regard, no loans register, agreements or statements were produced by the municipality on request. Moreover, the absence of information relating to the long-term liabilities

also did not facilitate us obtaining external confirmations. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Provisions

14. The valuation, existence, completeness and obligations of the leave pay provision totalling R2,05 million as disclosed in note 1 to the financial statements could not be confirmed due to limitations placed on the scope of my work by the entity. In this regard, alternative procedures were not feasible because leave registers were not up to date and records supporting the balances could not be provided. Furthermore, a review of the leave provision schedule indicated that the municipality did not cap the leave balances at 48 days, as required by section 7(3) of the South African Local Bargaining Council (SALBC) agreement, resulting in an overstatement of R373 505.

Unspent conditional grants receipts

15. The valuation, existence, completeness and obligations of the unspent conditional grants and receipts amounting to R11,05 million as disclosed in note 12 to the financial statements, could not be confirmed due to the limitation of scope placed upon our work by the entity. In this regard, the municipality could not produce a reconciliation of the movements in the reserves, supporting documentation and related explanations on request. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Payables

16. The valuation, existence, completeness and obligations of the payables balance of R1,77 million disclosed in the statement of financial position and in note 11 to the financial statements could not be confirmed due to the limitations of scope placed upon our work by the entity. This balance relates to suspense accounts for, which supporting documentation and/or explanations were not provided in support thereof by the municipality on request. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Accumulated deficit and reserves

17. The valuation, existence, rights and completeness of reserves and accumulated deficit amounting to R38,51 million as disclosed in the statement of changes in net assets could not be confirmed due to limitation of scope placed upon our work by the entity. In this regard, no supporting documentation and/or explanations were provided for the adjustments made of R15,47 million (government grant reserve), R16,62 million (donation and public contribution reserve) and R6,42 million (accumulated deficit), this is as a result of the transition from the IMFO basis of accounting to GRAP. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Revenue

18. I did not obtain all the information and explanations I considered necessary to satisfy myself as to the completeness, occurrence and accuracy of an amount of R616 271, relating to traffic fines, licenses and court fines that are included as "Other income" in the statement of financial performance. The entity's records did not permit the application of alternative audit procedures, as no explanations and/or documentation could be provided in support thereof.

Expenditure

19. In terms of standard of GRAP 1, the depreciation of property, plant and equipment should be disclosed as an expense in the statement of financial performance. Note 6 to the financial statements reflects depreciation as being R5,95 million, however, in statement of financial

performance, depreciation is shown as nil. Therefore expenditure is understated and property, plant and equipment is overstated by the said amount.

20. Contrary to the requirement of GRAP 1, an amount of R12,35 million is shown as an expense in the statement of financial performance, however, it is capital in nature. This results in an understatement of the operating surplus and overstatement of property, plant and equipment for the year by the same amount.
21. The completeness, occurrence and accuracy of general expenditure as well as repairs and maintenance totalling R8,58 million in the statement of financial performance could not be confirmed due to limitations of scope placed upon our work by the entity, in this regard, the supporting documentation and/or related explanations were not provided by the municipality on request, due to the absence of key financial personnel throughout the audit.

Contingent liabilities

22. The municipality has omitted disclosure of contingent liabilities amounting to R9,34 million, which was confirmed by the council attorneys during the financial year. This is contrary to section 125(2)(c) of the MFMA, which requires disclosure of contingent liability in the financial statements.

Pension fund contributions

23. The councillors took a resolution not to contribute to a pension fund, as required by section 24(3) of the Municipal Councillors Pension Funds Rules. Consequently, the municipality did not deduct and pay to a pension fund, the employee's contribution of 7,5% totalling R133 719 and employers contribution of 15% totalling R267 439. This resulted in understatement of payables by R401 158 and overstatement of councillors' allowance by the same amount.

Disclaimer of opinion

24. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matter

I draw attention to the following matters on which I do not express a disclaimer of opinion:

Restatement of corresponding figures

25. As disclosed in note 24 to the financial statements, the corresponding figures for 30 June 2008 have been reclassified as a result of the municipality implementing the standards of GRAP during 2008/2009 in their financial statements for the year ended 30 June 2009.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

26. The supplementary information set out on pages 60 to 70 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act

27. Quarterly reports on the implementation of the budget and the financial state of affairs of the municipality were not submitted to council for tabling, as required by section 52(d) of the MFMA.
28. Bank and control account reconciliations were not performed on a monthly basis, as required by sections 62(2) and 65(2)(j) of the MFMA.
29. The municipality has not submitted nor tabled its 2007/2008 annual report, as required by section 127 of the MFMA.
30. The municipality has not submitted the monthly budget statements to the Mayor, as required by section 71 of the MFMA.
31. The financial reporting by Nongoma Municipality did not provide information on whether resources were obtained and used in accordance with the legally adopted budget, as required by section 125(2)(f) of the MFMA.

Division of Revenue Act

32. Signed and electronic returns on conditional grant spending have not been submitted to the relevant treasury, as required by sections 12(1)(b) and 12(4) of the Division of Revenue Act, 2008 (Act No. 2 of 2008) (DoRA) and section 71(5) of the MFMA.

Governance framework

33. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

34. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
5.	Corresponding figures	5,7		4		1
6.	Property, plant and equipment	5		3,5		1
7.	Investments	2,5			1	1
8, 9, 10, 11.	Receivables	5,6,7		3,5		1
12.	Long-term debtors	5,6		4		1
13.	Long-term liabilities	5,6		4		1
14.	Provisions	5		3		1
15.	Unspent conditional grants receipts	5,6	5	5		1
16.	Payables	5			3	1
17.	Accumulated deficit and reserves	5,6		5		1
18.	Revenue	2,5			1	1
19, 20, 21.	Expenditure	5,6,7		6	1	1

22.	Contingent liabilities	2,5		3	1	1
23.	Pension fund contributions	2,5		3	1	1

35. The municipality did not submit requested information and documentation in support of its financial affairs for the year under review. Moreover, there was a lack of effective, efficient and transparent systems of financial and risk management and internal control during the period under review.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5

CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self –assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

36. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		?
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		?
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		?
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines, as set out in section 126 of the MFMA.	?	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.		?
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The Municipality had an audit committee in operation throughout the financial year. 		?
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 		?
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		?
7.	Internal audit		
	<ul style="list-style-type: none"> The Municipality had an internal audit function in operation throughout the financial year. 		?
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		?
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		?
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		?
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		?
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		?
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used, as set out in section 62(1)(c)(i) of the MFMA.		?
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	?	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		?

No.	Matter	Y	N
14.	SCOPA/Oversight resolutions have been substantially implemented.	?	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		?
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		?
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Nongoma Municipality against its mandate, predetermined objectives, outputs, indicators and targets, as set out in section 68 of the MFMA.	?	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		?

37. The financial statements submitted for audit did not fully comply with the reporting framework and were not reviewed before submission for auditing, as the internal audit and audit committee were not functioning during the year under review. Moreover, requests for information were not honoured as agreed upon and key officials were not available to acknowledge requests and address the audit findings during the audit. Furthermore, the municipality did not comply with risk management and good internal control and governance practices.

Investigations

38. An investigation is in progress regarding the allegations of maladministration by the former speaker, the mayor and the chief financial officer.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

39. I was engaged to review the performance information.

The accounting officer's responsibility for the performance information

40. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

41. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

42. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

43. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

No reporting of performance information

44. The Nongoma municipality has not reported performance against predetermined objectives, as required by section 46 of the MSA and section 121(3)(c) of the MFMA.

Existence and functioning of a performance audit committee

45. The Nongoma municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations of 2001 (MPPMR).

Internal auditing of performance measurements

46. The Nongoma municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by section 45 of the MSA.

Lack of adoption or implementation of a performance management system

47. The Nongoma municipality did not adopt and implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required by regulations 7 and 8 of the MPPMR.

No mid-year budget and performance assessments

48. The accounting officer did not assess the performance of Nongoma municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.

APPRECIATION

49. The assistance rendered by the staff of the Nongoma municipality during the audit is sincerely appreciated.

Pietermaritzburg
30 November 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

RESPONSE TO AUDITOR GENERAL REPORT

Corresponding figures

Planned response action

The corresponding figures will be corrected in the new financial year. Where necessary prior year adjustments will be made and disclosed in accordance with the Generally Recognised Accounting Practice (GRAP).

Property, plant and equipment

Planned response action

The fixed asset register will be updated in the ensuing financial year. All omissions and non-compliance issues reported on will be corrected in the new asset register.

Investments

Planned response action

Proper disclosure of investments will be made in the financial statements of the ensuing financial year.

Receivables

Planned response action

The municipality is not receiving value for money for services rendered by a firm of attorneys who perform the function of recovering monies due to the council. To this end proposals have been invited from aspiring firms of attorneys to tender for a host of legal services which will include the recovery of outstanding monies. The provision for doubtful debts was written down since receivables relating to water, sewerage and electricity were transferred to the District Municipality on transfer of functions.

As stated above, debtors relating to sewerage, water, electricity were not written off but were transferred to the District Municipality. The vehicle loan was repaid in full during the year under review.

A firm of consultants was appointed subsequent to the year end to perform an audit of the Value-Added-Tax (VAT) claims. All outstanding VAT returns were submitted to SARS. An amount approximately R1.5 million will be refunded to the municipality according to SARS. The remaining balance will be investigated. The "Pay-As-You-Earn" (PAYE) amount reflected as debtors will be investigated in the new financial year. Necessary corrections will be made if found incorrect.

Long-term debtors

Planned response action

The process of recovering these amounts will be fast-tracked on appointment of a new service provider as stated under receivables above. The vehicle loan was recovered in full from monies due to the staff member who left the municipality.

Long-term liabilities

Planned response action

The liability in question is in respect of vehicles that are subject to various instalment sale agreements entered into with a finance institution. The agreements will be made available to the auditors in the new financial year.

Provisions

Planned response action

The municipality acknowledges the misstatement of the leave provision. In the new financial year the leave balances will be capped at 48 days, as required by section 7(3) of the South African Local Bargaining Council (SALBC) agreement.

Unspent conditional grants receipts

Planned response action

The municipality will produce a reconciliation of the movements in the reserves and supporting documentation in the new financial year. The expenditure accountant now keeps a record of all supporting documents in a manner that will facilitate retrieval thereof on request.

Payables

Planned response action

This balance relates to invoices accrued at year end in respect of goods and services acquired by the municipality before the year end. A schedule of accruals is available for verification/audit.

Accumulated deficit and reserves

Planned response action

The accumulated deficit as disclosed in the statement of changes in net assets represents reserves which were created in terms of the erstwhile Local Authorities Ordinance, 1974 (No. 25 of 1974) that had historically been utilised for the acquisition of items of property, plant and equipment. Supporting documentation working papers and explanations are available for inspection.

Revenue

Planned response action

All information relating to traffic fines, licences and court fines is available in the traffic department. Computer generated reconciliations are kept by the department manager and are reviewed by him on a daily basis for accuracy and completeness.

Expenditure

Planned response

The municipality acknowledges non-compliance with GRAP 1 in the year under review. The identified disclosure issues relating to depreciation and capital expenditure will be corrected in the new financial year.

Documents supporting repairs and maintenance expenditure are available for inspection.

Contingent liabilities

Planned response

The non-disclosure of contingent liabilities was an oversight on the part of the municipality. Contingent liabilities will be disclosed in the future annual financial statements in terms of section 125(2)(c) of the MFMA.

Pension fund contributions

Planned response

In terms of resolution NMSFC the council resolved that their membership of the pension fund be terminated at the end of October 2007. However, this decision was reversed in 2009. The councillors were paid their salaries which include the pension allowance in full. Consequently the Councillors are liable for their portion of the shortfall identified by the auditors. A decision has still to be made on how this shortfall will be recovered from them. The municipality will meet its obligation once the decision as aforesaid has been reached.

Material inconsistencies in other information included in the annual report

Planned response

The municipality regrets the delay in the finalisation of the 2008/09 annual report. The said annual report will be submitted to the Auditor-General in January 2010.

Non-compliance with applicable legislation Municipal Finance Management Act

Planned response

The non-submission of quarterly reports on the implementation of the budget and the financial state of affairs of the municipality is acknowledged by the municipality. These reports are now submitted to council for tabling, as required by section 52(d) of the MFMA.

Bank and control account reconciliations are now performed on a monthly basis by the Revenue Accountant, as required by sections 62(2) and 65(2)(j) of the MFMA.

Division of Revenue Act

Planned response

Signed and electronic returns on conditional grant spending will be submitted to the relevant treasury, as required by sections 12(1)(b) and 12(4) of the Division of Revenue Act, 2008 (Act No. 2 of 2008) (DoRA) and section 71(5) of the MFMA in the new financial year.

Internal control deficiencies

Planned response

The inadequate internal control environment is acknowledged. As part of the municipality's plan to address the quality and integrity of the financial management function, all the internal control aspects of the finance department, including supply chain management, are being addressed by the management. Most of the internal control shortcomings will be dealt with in the new financial year.

Investigations

Planned response

An investigation is in progress regarding the allegations of maladministration by the former speaker, the mayor and the chief financial officer.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Non-compliance with regulatory requirements

Planned response

It is acknowledged that the Nongoma municipality did not have predetermined objectives against which to measure performance. However, records of actual performance are available but are not kept as required by section 46 of the MSA and section 121(3)(c) of the MFMA.

Existence and functioning of a performance audit committee

Planned response

The committee will be appointed in the new financial year

Internal auditing of performance measurements

Planned response

The Nongoma municipality did not have a functional internal audit section nor did it perform the internal audit in the year under review. Therefore, the municipality could not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by section 45 of the MSA.

The internal audit function will be resourced in the new financial year.

Lack of adoption or implementation of a performance management system

Planned response

The Nongoma municipality acknowledges that it did not adopt and implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required by regulations 7 and 8 of the MPPMR. This will receive urgent attention in the new financial year.

Mid-year budget and performance assessments

Planned response

The accounting officer will in future assess mid-year performance of Nongoma municipality as required by section 72 of the MFMA.



SECTION D

OTHER STATUTORY REPORTS

EXECUTIVE COMMITTEE



Mayor: S C Mataba



Councillor G N Gazu



Councillor T M Dludla



Councillor H P Mncwango



Councillor S M Zulu



Speaker: Mr W S Zungu

CORPORATE GOVERNANCE STATEMENT

GOVERNANCE STRUCTURES

THE COUNCIL

The council is the designated body and governs the Nongoma Municipality in accordance with the provisions of the Municipal Systems Act and the Systems Structures Act. Nongoma Municipality comprises thirty eight councillors including the Mayor and the Speaker four of whom are members of the Executive Committee. The council also has four portfolio based standing committees: Corporate Services, Finance, Community Services and Technical Services which are headed by executive members of the council.

The council meetings are held in each quarter of the financial year. Special council meetings are called when it is deemed necessary. The council meetings are chaired by the Speaker. At these meetings the Mayor, supported by the Municipal Manager and the Heads of Department, presents his comprehensive quarterly report.

Similarly the Executive Committee meets on a monthly basis. The meetings are chaired by the Mayor. Sometimes ad hoc meetings are called when deemed necessary. Decisions and recommendations of the Executive Committee are reported in the council meeting for further deliberations. The Accounting Officer and other section 57 managers attend the council meetings to provide administrative account of progress in their respective departments.

At community structure level, ward committees are also meet at least once a month. The function of ward committees is to communicate to the municipality the challenges faced by the communities in the respective ward and the expectations of the community.

The council also has a MANCO which is led by the Municipal Manager. However, due to various challenges, the MANCO was not functional during the year.

FUNCTIONING OF THE GOVERNANCE STRUCTURES

AUDIT COMMITTEE AND INTERNAL AUDIT

The Nongoma Local Municipality did not have an audit committee in operation throughout the financial year under review. The objective of the committee is to assist the Executive Committee with its responsibility of safeguarding, maintaining effective and efficient internal controls, reviewing financial information and overseeing the preparation of the annual financial statements. The committee operates in accordance with terms of reference authorised by the Council and the auditors have unrestricted access to the committee members. The committee is also responsible for risk management. The committee ensures that identified risks are monitored and appropriate measures are devised and implemented to manage such risks. The committee substantially performed all the functions assigned to it in terms of section 166(2) of the Municipal Finance Management Act) Act No. 56 of 2003).

INTERNAL AUDIT

The municipality did not have an internal audit function throughout the year under review. The internal audit was last performed in 2007/08 financial year. The Executive Committee will take a decision to appoint an independent firm as internal auditors to the municipality in the ensuing financial year.

RISK MANAGEMENT

Given the challenges in securing the services of adequately qualified financial personnel the municipality could not perform the Risk Management Function adequately as required by section 62(1)(c)(i) of the Municipal Finance Management Act (Act No. 56 of 2003). Consequently the municipality did not have a fraud prevention plan, a disaster recovery plan and a risk management policy in place. Furthermore, no risk assessment was undertaken by the municipality.

WARD COMMITTEES SYSTEM

Ward Committees have been established as per section 73 of the Local Government: Municipal Structures Act 117 of 1998 in all nineteen wards of the municipality and they are functional. The ward committees meet on a monthly basis to discuss issues that affect the ward for onward submission to Council for consideration. This structure is developmental in nature and it serves as a vital communication link between the municipality and the community.

Type of Council and Committee Meeting	Number of Meetings Held
Ordinary council meetings	12
Special council meetings	18
Executive council meetings	4
Special Executive council meetings	14
Finance Portfolio Committee meetings	10
Human Resources Portfolio Committee meetings	6
Housing meetings	10
Community Services Portfolio Committee meetings	11
Technical Services Portfolio Committee meetings	3

The information on the meetings held by Ward Committees during the year under review is not included in the annual report as it was not available. The Manager Community Services has tasked herself to obtain the said information in the new financial year.

MONITORING AND EVALUATION OF PERFORMANCE

Due to financial constraints and shortage of personnel, the municipality could not develop and implement mechanisms, systems and processes for monitoring and evaluating performance information.

AN ASSESSMENT AGAINST MEASURABLE PERFORMANCE OBJECTIVES FOR REVENUE COLLECTION

Comparison of actual against budgeted revenue targets

	2009 Budget	2009 Actual	2009 Variance	Variance %	2008 Budget	2008 Actual
Revenue	R	R	R		R	R
Assessment rates	1,134,678	1,053,667	81,011	7.1	1,031,525	1,001,999
Service charges	1,041,405	571,897	469,508	45.1	905,570	550,712
Driver licence, permits and fines	549,704	612,579	(62,875)	(11.4)	499,731	84,590
Government grants and subsidies	39,584,000	42,939,214	(3,355,214)	(8.5)	32,662,000	30,066,501
Interest earned	356,921	233,603	123,318	34.6	324,474	-
Rental income	-	114,048	(114,048)	-	-	-
Other income	1,452,300	489,375	962,925	66.3	1,391,000	1,003,910
	44,119,008	46,014,383	(1,895,375)	(4.3)	36,814,300	32,707,712

Explanation of variances

Assessment rates

The municipality has a small revenue base, and the only estimated revenue collection that can be accurately projected is equitable share. Normally municipalities are largely self-financing. However, in the case of Nongoma Municipality the revenue from assessment rates is not adequate for the purposes of its needs. Revenue from assessment rates as a percentage of total revenue was fairly stable between 2007/08 and 2008/09 at 3.1% and 2.3% respectively. Although the municipality has reviewed rates and tariffs in an attempt to identify new revenue sources, it is apparent that very little scope exists at the moment for revenue to be increased.

Service charges

The municipality over-budgeted in both years for service charges. The revenue from service charges remained constant over both financial years. However, it is clear that the municipality over-budgeted for service charges. This significant difference is due to the transfer of water, sewerage and electricity services to the district municipality.

Government grants and subsidies

Government Grants and subsidies account for the largest component of revenue, averaging 93% and 92% of total revenue in 2009 and 2008 financial years respectively. This analysis reveals that the municipality relies

mainly on government funding for its continued existence. Further, the municipality received additional allocation for the personnel inflationary adjustment in respect of the annual salary increase.

Driver licences, permits and fines

The traffic department has been identified as new source of revenue for the future. The revenue from licences increased from R84,590 in 2007/08 to R612,579 in 2008/09, an increase of R527,989 or 7.2%. The licence revenue is expected to increase to between R60,000 and R65,000 per day in the new year. Groups of ten people per session are tested daily for learners licence and each day has three sessions.

Plans are in progress to build a vehicle testing ground in Nongoma. It is hoped that the new testing ground will be financed from internal sources and will be fully operational before the end of the new financial year.



SECTION E

ANNUAL PERFORMANCE REPORT BY FUNCTIONAL AREA

(This section reviews performance per department/ section in detail, contrasting planned Strategic Objectives and Key Performance Areas (KPA'S) against performance in respect of such objectives and KPA'S)



Chief Financial Officer: M. R. Mthethwa

FINANCIAL MANAGEMENT

Introduction and Background

The role of the Finance Function is to develop and implement sound business processes and sound and effective internal and financial controls systems. Further, it is committed to its mandate to provide a comprehensive financial management support to the Council and the directorates of the Municipality. The directorate supports the Integrated Development Plan of Council by striving to provide a stable and sustainable financial environment that enables Council to deliver essential services to the community of Nongoma.

The Finance Department comprises of the following components:

- Budget and Treasury Office
- Billing Section
- Expenditure Section
- Credit Control and Revenue Management Section
- Supply Chain Management Section

Budget and Treasury Office

This component is responsible for the following functions:

- Manage the budget process
- Revenue management
- Expenditure management
- Reporting to stakeholders
- Implementation of the MFMA
- Reporting on the budget and monitoring thereof
- Implementation of Generally Recognised Accounting Practice Standards
- Preparation of annual financial statements
- Debt management

Billing Section

The billing section is responsible for the following functions:

- Updating and maintaining the property valuation roll
- Maintenance of the billing systems
- Mailing of monthly statements
- Reconciliation of the Metvalue (valuation software) with the Abakus billing system

The Municipal Rates Act was successfully implemented.

Expenditure Section

This section is responsible for the full expenditure control function which includes inter alia the following functions:

- Payment of suppliers of goods and services
- Payment of salaries, wages and allowances
- Maintenance of petty cash
- Asset register maintenance
- VAT administration
- Reconciliation of conditional grants expenditure

Credit Control and Revenue Management

This is a fairly new component which will be tasked with the following functions:

- Collection of outstanding accounts
- Identification of delinquent accounts for handing over for collection
- Concluding acknowledgement of debt agreement with consumers
- Tracing debtors

Performance Review

Item No.	Strategic objectives/Key Performance Area	Performance Against Strategic Objective and Key Performance Area
1.	To develop and implement efficient and effective internal and financial control systems.	The municipality has had serious shortcomings in internal and financial controls. This is one of the key strategic initiatives that will be implemented in 2009/10 through capacity building.
2.	To provide a sound and effective budgeting function.	The budget was completed before 30 May 2009.
3.	To develop and implement an asset management function.	Due to human capacity challenges in the finance department, the municipal's asset management function did not comply fully with the Supply Chain Management Policy Framework. The challenges will be addressed in 2009/10 financial year.
4.	Reporting on municipal budget performance in terms of s71 of the MFMA.	The level of financial reporting still needs further improvement. This important area of compliance will be addressed through capacity building in the new financial year.
5.	Develop and implement a risk management plan.	The internal audit was not performed in 2008/09 financial year. This function will be outsourced in 2009/10. Further a risk assessment will be performed by Provincial Treasury.

SUPPLY CHAIN MANAGEMENT

Introduction and Background

The Supply Chain Management Function resides in the Financial Management Department. The main objective of this function is to provide an effective, efficient and economic instrument of procuring goods and services, including the acquisition and disposal of municipal assets.

The section is responsible for the following functions:

- Maintenance of the suppliers database
- Price quotations, competitive bidding and tender documents
- Implementation of the supply chain management policy
- Issue of orders to prospective suppliers
- Provision of support to all three bid committees
- Stores management

Performance Review

Item No.	Strategic objectives/Key Performance Area	Performance Against Strategic Objective and Key Performance Area
1.	To develop and implement efficient and effective Supply Chain Management Function.	The municipality did not have a fully-fledged Supply Chain Management Unit due to human capacity constraints. The challenge is being addressed in 2009/10 through capacity building.
2.	To develop and implement the Supply Chain Management Policy including the Asset Management and Asset disposal Policies.	The draft policies have been prepared for review and approval by the Council in the new financial year.
3.	To improve financial controls in the Supply Chain Management Unit.	Due to capacity constraints effective procurement planning could not take place. It is being addressed in 2009/10 through engaging the services of financial interns.

Although the Supply Management function was operational throughout the year under review, it somehow failed to comply fully with the Supply Chain Management Policy Framework. The challenges will be addressed in the new financial year.

Supply Chain Management Committees

The following committees were operational throughout the financial year:

Bid Specifications Committee:

The members were as follows:

Information not available

Bid Evaluation Committee

The members were as follows:

Ms L C Maema

Mrs S G Khumalo

Ms N R Mfekayi

Due to the lack of technical expertise within the municipality, the assistance of engineers was sought to verify technical services tenders/bids for compliance with the bid specifications. In all other cases the internal Bid Evaluation Committee performed the evaluation of non-technical bids.

Bid Adjudication Committee

The members were as follows:

Mr T S Dlamini

Mr K P Gumede

Mr V P Zulu

Mrs S A Mncwango

Mr T C Zulu



Corporate Services Manager: Mr V P Zulu

CORPORATE SERVICES

Introduction and Background

The Corporate Services Department encapsulates the Human Resources Function and the General Administrative functions of the municipality.

The Corporate Services Department

The Department is one of the five (5) municipality sections. It is structured based on the approved municipal organogram. Employment of staff is informed by staff provision as determined by municipal organogram. Deviations to the organogram have only been considered under strict conditions.

- Department Core Functions are:
- General Administration
- Committee Services
- Registry
- Secretariat division
- Fleet management
- Human Resources.

Performance Review

Item No.	Strategic objectives/ Key Performance Areas	Performance Against Strategic Objectives and Key Performance Areas
1	Effective regulation and management of General Administration.	Recruiting and identifying the suitable candidate to fill the vacancies.
2	Capacitate the staff in terms of leadership qualities.	Allocate and provide equal opportunity to staff
3	Ensure effective and continuous improvement in the organization	Ensuring conducive working environment
4	Functions that are put on shoulders of the department.	General Municipal Administration and sorting out of land/ site issues, administration and management of Municipal Properties.
5.	To ensure a fully functional and efficient Human Resources function and Administration System.	<p>The Municipality achieved success in the recruitment of Senior Managers. Municipal operational plan is in place performance contract for Section 57 employees were in place.</p> <p>The Municipal Performance Management System and the service delivery budget.</p>

Internship and in- service Programme

Programme Type	Duration	Number of beneficiaries	Male	Female	Status of Candidate
In- service	2yrs	2		2	Excellent
Internship	1year	1		1	Promising

Employment Equity Targets

Category and Occupational levels	Female			Male			Grand Total
	African	Disabled	Total	African	Coloureds	Disabled	
Senior Management	6	0	1	5	0	0	6
Middle Management	2	0	1	2	0	0	2
Junior Management	4	0	1	4	0	0	4
Operational Staff	118	0	80	80	0	0	118
TOTAL	130	0	83	92	0	0	130

Employment Equity- Actual June 2009

Category and Occupational levels	Female			Male			Grand Total
	African	Disabled	Total	African	Coloureds	Disabled	
Senior Management	6	0	1	5	0	0	6
Middle Management	2	0	1	2	0	0	2
Junior Management	4	0	1	4	0	0	4
Operational Staff	118	0	80	80	0	0	118
TOTAL	130	0	83	92	0	0	130

Equity Plan

This is the municipality's five (5) year Equity Plan which according to the department of labour has to be submitted every three (3) years.

Highlight of Major Variances:

The municipality is still faced with a huge challenge to redress employment imbalance. The majority of women are employed mainly in two (2) categories; that is, unskilled labour and lower administration level. Few women are employed in middle management position. Only one female is employed as a Senior Manager. The municipality needs to encourage the employment of people with who are physically challenged.



Enyokeni Palace



The Technical Services grader ready to be put in action



Technical Services Manager: Mr N S Biyela

TECHNICAL SERVICES

Introduction and Background

The department is responsible for the execution of capital projects captured in the Integrated Development Plan. The department is also responsible for the maintenance of roads and other departmental infrastructure.

Performance Review

Item No.	Strategic objectives/Key Performance Area	Performance Against Strategic Objective and Key Performance Area
1.	To execute capital and maintenance projects in terms of the municipal Integrated Development Plan.	The municipality completed a number of community related projects during the year under review. New projects were also started and are due for completion in the forthcoming financial year.
2.	Strive to involve the emerging contractors of Nongoma in all capital projects	A number of previously disadvantaged contractors were used by the municipality on a number of projects. This without a doubt has improved the lives of many people of Nongoma.

Capital projects undertaken during the year under review

Item No.	Project Name	Key Performance Indicator	Current Year Expenditure
			R
1.	Creches	10	1,549,752
2.	Community Halls	11	2,730,454
3.	Sportsfields	10	3,532,884
4.	Multi-purpose Centre	1	963,514
5.	Nongoma Town Hall	1	1,378,610
6.	Market Stalls	1	17,198
7.	Nongoma Taxi Rank	1	16,181
8.	Access Roads	unknown	537,569
			10,726,162

The Technical Service Department serious challenges emanating from the shortage of staff which makes it problematic to complete the infrastructure projects within the set time frames. The use of inexperienced service providers also contributes to the delay in implementing the projects.

Nongoma Municipality intends to eradicate the backlog in the infrastructure by 2014. More competent staff will be employed and placed in strategic positions to ensure expedient service delivery. Furthermore, the Project Management Unit will be strengthened by employing the Project Manager in the new financial year.



Buxedene Creche (MIG Project)



Buxedene Community Hall (MIG Project)



Development Planning Manager: Mr T C Zulu

DEVELOPMENT PLANNING DEPARTMENT

Introduction and Background

The development planning department is responsible for:

- Development of the integrated development plan
- Town Planning
- Performance Management System
- Local Economic Development (LED)

Performance Review

Item No.	Strategic objectives/Key Performance Area	Performance Against Strategic Objective and Key Performance Area
1.	To develop the Nongoma town planning scheme.	The town planning scheme has not yet been developed due to capacity constraints.
2.	Development of the Land Use Management System (LUMS)	The municipality has successfully developed the land use management system.
3.	Development of the Spatial Development Framework	The spatial development framework is being developed and will be completed in the new financial year.
4.	To develop the Local Economic Development Plan	The local economic development plan being developed and will be completed in the new financial year.
5.	To develop the Performance Management System	The performance management system is presently being developed.
6.	Development of the Housing Sector Plan	The housing sector plan is presently being developed.
7.	Development of the Integrated Development Plan (IDP)	The IDP was developed in accordance with the prescribed consultative publicity and approval steps.



Protection Services/ Traffic Manager: Mr P V Nkosi



Learners Licence Testing Centre

PROTECTION SERVICES/TRAFFIC

Introduction and Background

The Traffic Section is part of Protection Services Department.

The sections core functions are:

- General community awareness about safety on public roads.
- Conducting Learners Licences.
- Traffic Law enforcement on Public Roads.

Performance Review

Item No	Strategic objectives /key Performance Areas	Performance Against strategic Objectives and Key Performance Areas
1.	Effective regulations and management of traffic.	While some targets were achieved in this regard there is a room of improvement.
2.	Education of the public to improve safety on the road	Scholar patrols were introduced in local schools and learners were taught about safety. In conjunction with Province more scholar patrols will be introduced in the next financial year.
3.	Ensure effective and continuously improving licensing services function.	The Leaner Driver function has been implemented as planned and reasonable revenue is generated. Vehicle and Driver testing will be implemented in the near future.
4.	Systematically collect data on traffic and municipal by –law related offences for developing counter strategies to reduce these offences.	Statistics have been gathered manually. Obtaining appropriate equipment for electronic record keeping however is a challenge.
5.	Enforce the law through roadblocks from time to time.	A number of roadblocks were undertaken during the year, resulting in resounding success in fines issued and prosecutions effected.
6.	Undertaking of community policing Forum (CPF)activities	In the year under review a number of activities were facilitated on behalf of South African Police Services (SAPS) wherein SAPS conducted various CPF initiatives. Each of the activities held were linked to Nongoma Police Station.

Statistical Analysis of the Function:

Protection Services / Traffic and Licensing –operational statistics	No.
Total number of call-outs attended:	
Emergency call- outs	99
Standards call-outs	115
Average response time to call- outs:	
Emergency call- outs	10 minutes
Standards call-outs	20 minutes
Total number of targeted violation (traffic offences):	
Reckless/negligent driving	1.289
Drunken driving	Nil
Unlicensed drivers	150
False licence disk	7
	200
Accident count	
Total number and type of emergencies leading to a loss of life or disaster :	77
Car accidents	4
Natural disasters	2
Fire	
Total number of learners Licence tested	1,965



Community Services Manager: Mrs S A Mncwango

COMMUNITY AND SOCIAL DEVELOPMENT

Introduction and Background

The department incorporates Social Development programmes, the Library and Tourism services.

Performance Review

Item No.	Strategic objectives/Key Performance Area	Performance Against Strategic Objective and Key Performance Area
1.	Pollution minimization and efficient utilization of resources. Keeping the town clean and the surrounding townships.	<p>The municipality implemented a solid waste recycling strategy by working together with Dumaza Recycling Project.</p> <p>Furthermore, certain challenges such as the inclement weather and the poor condition of the tractor prevented the department from reaching its targeted performance. The municipality has resolved to acquire a refuse removal truck and a new tractor.</p>
2.	Maintaining the dump site to the laid down environmentally friendly minimum levels.	Maintaining the dump site proved to be a challenge and the municipality could not achieve intended environmentally friendly levels. These challenges included the use of a TLB and the dumping of hazardous medical waste. Further the dumping site is not yet fenced. These challenges will be addressed in the ensuing financial year.
3.	To provide basic services to the needy community of Nongoma	<p>950 houses have already been built in Ward 8. The projects Siyazama at Usuthu Area and Maye/ Dabhasi are still in phase one. Each project will build 1000 houses.</p> <p>Ward 1, 3 and 14 have been declared by the Premier of KZN as wards which need urgent attention. More houses will be built in those wards.</p>
4.	To offer pauper burial services to the community	The Municipality continues to offer the pauper burial service to the poor of poorest of Nongoma.
5.	To offer library services to the community	Our Library Service has an immeasurable positive effect on the Community. The Library caters for all grades of learners, educators, tertiary students and the general public.
6.	To develop and implement Disaster Management	Due to financial and personnel constraints, this function could not be executed. It has been performed by the Zululand District Municipality.
7.	Implementing an effective community participation strategy	The municipality implemented an induction course for Ward Committees. A number of meetings were held where the community was informed about the municipal budget and Integrated Development Plan.

Performance Review

Item No.	Strategic objectives/Key Performance Area	Performance Against Strategic Objective and Key Performance Area
8.	Creating awareness on HIV and AIDS support function	In partnership with the Department of Social Development the municipality managed to assist destitute children by implementing a vegetable garden concept at foster homes. The municipality could not afford HIV and AIDS programmes including Poverty alleviation due to financial constraints.
9.	Arts and Culture	<p>The municipality participates extensively in the following cultural events:</p> <ul style="list-style-type: none"> • Umhlanga - A Cultural event where young girls dance for His Majesty the King. In partnership with the Department of Arts and Culture, the municipality continues to promote arts and culture in Nongoma. • There is also Umhlanga for women which used to take place at KwaKhangela Royal Residence. • Ihlalankosi- Is the project initiated for women to acquire skills to do weaving, sewing and to deal with beads. We are focusing mainly to our men and young males to join women in this regard. <p>Working together with Zululand District an Indlamu competition is held annually.</p> <p>The municipality prides itself for assisting budding artists in the transition from mere entertainers to professional artists.</p> <p>Many competitions have been initiated by the Tourism Units such as Umbele Wethu competition. The municipality provided transport for aspiring groups from various Wards to the Nongoma Multi-Purpose Centre where the competition was held.</p>
10.	Development of new policies and review of old policies	The Department of Local Government provided financial assistance to Nongoma for the review of policies and the formulation of new policies.
12.	To offer social service such as moral regeneration initiative	<p>The workshop which was held in Pretoria assisted the municipality to resuscitate cultural values and morals of the Society.</p> <p>Due to limited funding, this initiative has not had the desired impact on the Community.</p>

HOUSING

Introduction and Background

The Housing Unit which falls under the Community Services Manager is charged with the responsibility to deliver houses to the poor of the poorest in Nongoma on an agency basis on behalf of the Department of Housing.

Performance Review

Item No.	Strategic objectives/Key Performance Area	Performance Against Strategic Objective and Key Performance Area
1.	To maintain the database of the beneficiaries	The database of beneficiaries was compiled and maintained by the Community Services Department.
2.	Manage and implement housing projects	<p>950 houses have already been built in Ward 8. The projects Siyazama at Usuthu Area and Maye/ Dabhasi are still in phase one. Each project will build 1000 houses.</p> <p>Ward 1, 3 and 14 have been declared by the Premier of KZN as wards which need urgent attention. More houses will be built in those wards.</p>



Low cost housing project – Holinyoka

SPECIAL PROGRAMMES

Special programmes run by the municipality include youth programmes and business related ventures. These programmes reside within Community Services.

Performance Review

Item No.	Strategic objectives/ Key Performance Areas	Performance Against Strategic Objectives and Key Performance Areas
1	To promote youth programmes in Nongoma area	Ihlalankosi - Is the project initiated for women to acquire skills to do weaving, sewing and to deal with beads. We are focusing mainly to young males to join women in this regard.
2	To expose the youth to related business ventures and sources of capital.	The youth was assisted by the Municipality to obtain financial assistance from Umsobomvu Youth Fund.

The municipality will establish in the new year a Nongoma Local Youth Committee which will monitor and evaluate the implementation of the Youth programme. This will ensure that all youth programmes are mainstreamed in all municipal programmes and projects.

LIBRARY SERVICES

With the assistance of the Department of Arts and Culture, the municipality manages a fully equipped library that is frequented by the community of Nongoma. The municipality provides library services that meet the educational, informational and recreational and cultural needs of all the communities of Nongoma.

Performance Review

Item No.	Strategic objectives/ Key Performance Areas	Performance Against Strategic Objectives and Key Performance Areas
1	To create a quiet resource centre for the promotion of reading, literacy and information.	The library is accessible to the members of the community and is open
2	To provide the public with reading material, visual aids and audio material as required.	The library provides a service that covers information on all aspects of life eg languages, computers, politics, cooking and gardening.



Nongoma Community Library



Mr S V Gazu: Tourism Officer

TOURISM AND ATTRACTION

Nongoma is one of the KwaZulu-Natal's tourist towns and a gateway to the major tourist attractions and offers tourism and hospitality facilities such as:

- Ntendeka wilderness at Ngome
- Royal Palace tours
- Reed dance
- Nguni cattle
- Star-graded inn, lodges and B&B's.

The municipality strives to facilitate the creation of job opportunities by establishing a tourism destination that is domestically and internationally competitive. In this regard the municipality is pursuing the development of craft manufacturing.





His Majesty the King leading amabutho at the annual reed dance







New Nongoma Mall



Nongoma Lodge located in Nongoma town



Benedictine Hospital - Nongoma

LOCALITY MAP OF NONGOMA MUNICIPALITY

